FOCUS: A New Kind of Season

CHANNELS

$2.95 THE BUSINESS OF COMMUNICATIONS SEPT. 1986

The Amazing Coke Machine

They think they've got a sure-fire formula for TV success. Will it fizz or fizzle?

Coke's Entertainment Braintrust (from l. to r.): Fay Vincent, Richard Gallop, Frank Biondi

It's happening now!!

We're number one and that's no hot air.

"WHAT'S HAPPENING NOW!!"
#1 among all first-run half-hours!

TOP 10	MAY '86	RATING
What's Happening Now!!		**5.3**
At the Movies		5.2
Puttin' on the Hits		5.0
It's a Living		4.6
Small Wonder		4.6
Tales from the Darkside		4.5
Ted Knight Show		4.2
This Week in Baseball		4.2
Dance Fever		3.9
America's Top 10		3.1

Source: NTI, SON May 1986 (Four weeks ending 5/25)

New episodes are in production for takeoff, Fall '87.

Columbia Pictures Television
A UNIT OF THE Coca-Cola COMPANY

In assn. with LBS Communications Inc.


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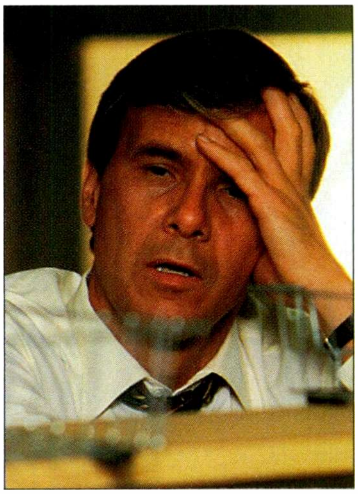
CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOL. 6, NO. 5 SEPTEMBER 1986



Cover photo: Eddie Adams

EDITOR'S NOTE

The Start of Something

Does conservative Coca-Cola mix well with the flashy entertainment business?

Few thought so five years ago when the Atlanta soft drink giant bought a passage to Hollywood as the new owner of Columbia Pictures. While Coke clearly knows quite a lot about the mass marketing of soda pop, the doubters asked how that is relevant to creating and marketing entertainment for an unpredictable public. And how would this company, whose main product is a staple throughout the Bible Belt, square its clean-cut image with the business of producing films for a market that likes things a bit racy?

Coke's acquisition of the studio was followed by what seemed curiously redundant purchases. Embassy Communications, which also produced pictures and television series and ran, like Columbia, a successful syndication division, became a Coke property. And then came the buyout of Merv Griffin Enterprises, producer of the most successful syndicated show in history, *Wheel of Fortune*.

In a scant few years, Coke became the biggest television syndicator in America. And taking a whole new approach, the company's entertainment brain trust—not exactly show-biz types from central casting—found ways to make a volatile and often treacherous business relatively risk free.

We assigned the story of how and why Coke invaded the movie and television business, and of who runs the operation on what philosophy, to former *New York Times* business reporter Ann Crittenden. She has given us a cover story that is rich with insights into the most important new player in the game.

By its very presence and unique business strategy, Coke symbolizes the changes that are occurring in one part of the television world today. On a much smaller scale, Tim McDonald, a wildcatter in television-station ownership, represents the change in another venue, as president of the TVX Broadcast Group, which owns the country's largest group of UHF stations. Writer Ben Yagoda, in his vivid profile of McDonald, the wheeler-dealer son of a professional gambler, illuminates the minimalist thinking of a new type of broadcaster whose quick success and no-frills approach to television may, for better or worse, make him a role model for a new generation of TV executives.

And, in yet another part of the forest, there's the phenomenon of home shopping on cable, which, whether it's a flash in the pan or a new direction for television, has nevertheless been the biggest turn-on for Wall Street and new cable entrepreneurs in years. Mark Frankel, in "The Sweet Buy and Buy," provides a close-up look at the hottest entry, Home Shopping Network.

All these, and the striking developments in broadcast news—the uses and abuses of satellite news gathering, the pruning of the network news staffs and the impact of the network mergers on the radio networks—are set against a special *Channels* Focus section on the new prime time television season.

Television's world is changing drastically, even as it holds to its charted course. Coke, TVX, HSN and SNG are solidly in the picture now, along with ABC, CBS and NBC. This new season could well be the newest ever. •

Les Brown

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ABC membership applied for January 1986.

These Stations Have the...

PLATINUM 193

EDGE.

NEW YORK	WABC	NEW ORLEANS	WNOL	CEDAR RAPIDS	KDUB
LOS ANGELES	KTTV	BUFFALO	WUTV	SPOKANE	KAYU
CHICAGO	WPWR	GREENVILLE-SP-ASHE	WAXA	LEXINGTON	WDKY
PHILADELPHIA	WGBS	COLUMBUS, OHIO	WTTE	JOHNSTOWN-ALTOONA	WFAT
SAN FRANCISCO	KOFY	OKLAHOMA CITY	KAUT	CHATTANOOGA	WDSI
SAN JOSE	KICU	BIRMINGHAM	WDBB	TUCSON	KDTU
BOSTON	WXNE	RALEIGH-DURHAM	WKFT	SPRINGFIELD, MO	KDEB
DETROIT	WXON	SALT LAKE CITY	KOOG	TRI-CITIES	WETO
WASHINGTON D.C.	WFTY	GRAND RAPIDS	WXMI	HUNTSVILLE	WTRT
DALLAS-FT. WORTH	KDFI	PROVIDENCE	WSTG	LINCOLN-HASTINGS	KBGT
CLEVELAND	WCLQ	HARRISBURG/YORK	WPMT	EVANSVILLE	WTVW
HOUSTON	KTHT	SAN ANTONIO	KABB	FT. WAYNE	WFFT
PITTSBURGH	WPTT	NORFOLK-PORTSMOUTH	WYAH	LAS VEGAS	KRLR
ATLANTA	WATL	ALBANY	WUSV	COLORADO SPRINGS	KXRM
SEATTLE	KCPQ	TULSA	KGCT	PEORIA	WYZZ
TAMPA	WXLT	LITTLE ROCK	KJTM	LANSING	WIHT
MIAMI	WBFS	FLINT-SAGINAW	WSMH	FARGO	KVRR
MINNEAPOLIS	KTMA	SHREVEPORT	KMSS	CHARLESTON, SC	WTAT
ST. LOUIS	KDNL	MOBILE-PENSACOLA	WPMI	SAVANNAH	WTGS
DENVER	KDVR	WICHITA-HUTCHINSON	KSAS	WAUSAU	WAEO
BALTIMORE	WBFF	TOLEDO	WUPW	MACON	WMAZ
INDIANAPOLIS	WTTV	FRESNO	KAIL	ODESSA-MIDLAND	KPEJ
HARTFORD-NEW HAVEN	WTNH	JACKSONVILLE	WNFT	CASPER-RIVERTON	KXWY
PORTLAND, OREGON	KPDX	ALBUQUERQUE	KGSW	JACKSON, TN	WJWT
ORLANDO	WMOD	SYRACUSE	WFWY	BOWLING GREEN	WGRB
CINCINNATI	WIII	GREEN BAY	WGBA	ANCHORAGE	KTBY
MILWAUKEE	WCGV	ROANOKE-LYNCHBURG	WJPR	WENATCHEE	KCWT

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LETTERS

Still Our Brothers...

In the June 1986 issue of *Channels,* the "Moneyman" article was well written and fun to read. However, I must take exception to the description of Comcast's relationship with Shearson Lehman Brothers. First, I have no enemies list. The remarks reported between Fred Seegal and myself at the Dallas cocktail party are somewhat misstated and out of context. The initial "nail in the coffin" comment was clearly a joke and the tone of our meeting was amiable and cordial. Even though the Storer incident damaged our relationship with Shearson Lehman, we still receive proposals from them and deal with Fred Seegal and others at Shearson Lehman Brothers concerning merger and acquisition opportunities.

Julian A. Brodsky
Chief Financial Officer
Comcast Corporation
Bala Cynwyd, Pennsylvania

Faulting Fowler

I applaud Les Brown's superb analysis of FCC chairman Mark Fowler's opposition to the Fairness Doctrine [May 1986]. Indeed, if Brown can be faulted, it is for slightly overstating Fowler's case that the doctrine has a "chilling effect." Brown states that "the number of stations that have lost their licenses on Fairness Doctrine grounds can be counted on the fingers of both hands." Actually, one finger is sufficient. In the typical, if extremely rare, instance where the FCC finds a fairness violation, the broadcaster is simply required to provide reasonable opportunities for the presentation of opposing views.

Robert M. Gurss
Senior Staff Attorney
Media Access Project
Washington, D.C.

Overexposed Film

An article in your May issue described the path today's movies take before syndication. We at WXIN are concerned about escalating film prices for movies, which are exposed to many windows before we can air them. Superstations play these same titles we negotiate local exclusivity for, only to have them appear on our cable systems courtesy of a distant signal. If we are to continue competing for the movie audience, we must be afforded the opportunity to play these movies much earlier in their video journey.

Joseph A. Young
Vice President/General Manager
WXIN-TV
Indianapolis, Ind.

Troubled Union

I read with interest the article in which you quote me as saying, "It is all over, boys." It is true that I did say that, but it is also true that inadvertently my quote was taken out of context. What I certainly meant to say was that the network/affiliate news relationship will certainly be very much changed within another five years. Like the fallout from airline deregulation, the networks are going to have to change the way they do business in terms of union contracts, etc.

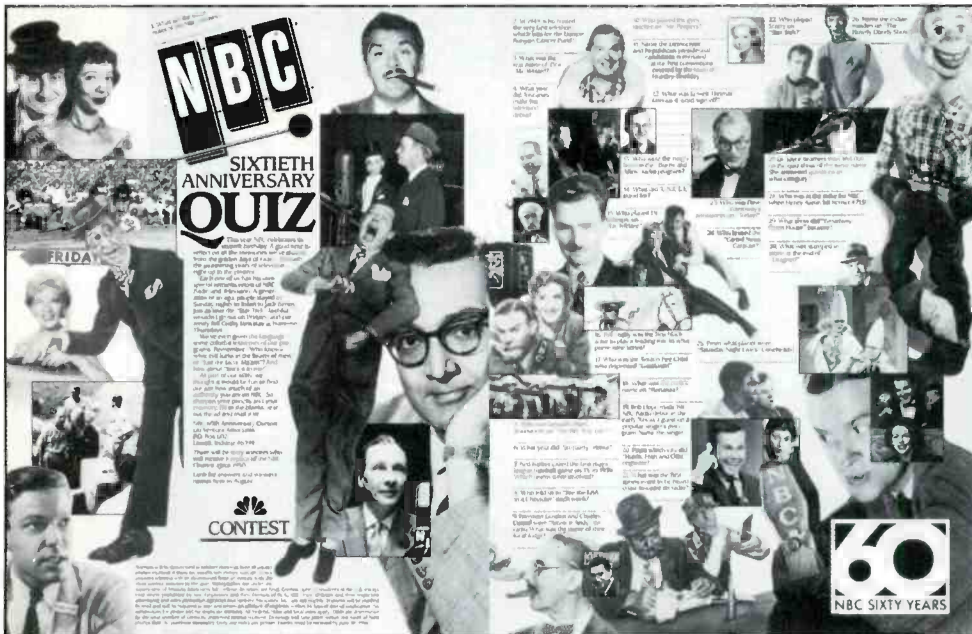
Stanley S. Hubbard
President and Chief Executive Officer
Hubbard Broadcasting, Inc.
St. Paul, Minnesota

(To put Hubbard's remarks in full context, here is an excerpt from the unedited transcript of Channels' *taped conversation with him:*
"I do not think, and I haven't thought for many years, that the days of three people in New York dictating programming to the rest of America—and I don't mean that in a negative way; maybe I shouldn't say 'dictating' because that sounds wrong, I'd rather use the word 'planning'—planning the program fare for the rest of America. I think those days are gone. And I think that we're going to have to realize that this is a big country. And there's room for a lot of people to be involved in a lot of decision-making and a lot of profit participation. And that the networks are no longer going to be able to control the programming of American television. It's almost gone, boys. Forget it. In five years it's going to be over."—Ed.)

CORRECTIONS

Channels' June special section on finance misstated the revenue growth rate of Park Communications Inc. The company's revenues grew by a compound annual rate of 11.7 percent from 1982 to 1985. The credit line for the stocks chart, prepared by Paul Kagan Associates, was omitted. *Channels* regrets the errors.

THE RIGHT STUFF.



Here are the 30 answers to our 60th Anniversary Contest.

1. What are the three notes of the NBC chimes? G E C

2. In 1949, who hosted the very first telethon, which was for the Damon Runyon Cancer Fund? MILTON BERLE

3. What was the real name of TV's "Mr. Wizard?" DON HERBERT

4. What year did Toscanini make his television debut? 1948

5. Who was Groucho Marx' announcer on "You Bet Your Life?" GEORGE FENNEMAN

6. What year did "Jeopardy" debut? 1964

7. Red Barber called the first major league baseball game on TV in 1939. Which teams were involved? BROOKLYN DODGERS CINCINNATI REDS

8. Who told us to "See the USA in a Chevrolet" each week? DINAH SHORE

9. Freeman Gosden and Charles Correll were "Amos and Andy" on radio. What was the name of their local lodge? MYSTIC KNIGHTS OF THE SEA

10. Who played the gym teacher on "Mr. Peepers?" TONY RANDALL

11. Name the Democratic and Republican presidential candidates nominated at the first conventions covered by the team of Huntley-Brinkley. STEVENSON - EISENHOWER

12. What was Lowell Thomas' famous 4-word sign-off? SO LONG UNTIL TOMORROW

13. Who were the neighbors on the "Burns and Allen" radio program? THE MORTONS

14. What did "U.N.C.L.E." stand for? UNITED NETWORK COMMAND FOR LAW ENFORCEMENT

15. Who played Dr. Gillespie on "Dr. Kildare?" RAYMOND MASSEY

16. Bill Cosby was the first black actor to play a leading role in what prime time series? I SPY

17. Who was the Texaco Fire Chief who dispensed "Gasaloon?" ED WYNN

18. What was the cook's name on Bonanza? HOP- SING

19. Bob Hope made his NBC Radio debut in the early 30's as a guest on a popular singer's program. Name the singer. RUDY VALLEE

20. From which city did "Kukla, Fran and Ollie" originate? CHICAGO

21. What was the first sports event to be heard coast-to-coast on radio? ROSE BOWL (1927)

22. Who played Scotty on "Star Trek?" JAMES DOOHAN

23. Who was Dave Garroway's announcer on "Today?" JACK LESCOULIE

24. Who hosted the "Camel News Caravan?" JOHN CAMERON SWAYZE

25. From what planet were Saturday Night Live's Coneheads? REMULAK

26. Name the Indian Maiden on "The Howdy Doody Show." PRINCESS SUMMERFALLWINTERSPRING

27. Dr. Joyce Brothers won $64,000 on the quiz show of the same name. She answered questions in what category? BOXING

28. Who was at the mike for NBC when Henry Aaron hit homer #715? CURT GOWDY

29. What show did Broadway Open House become? TONIGHT SHOW

30. What was stamped in stone at the end of "Dragnet?" MARK III

And here are the names of the sixty people who won't read 'em and weep...because they had them right!

Congratulations on knowing your stuff, and we hope you'll all be watching, and listening, for the next sixty.

John J. Adkins
Terri Akman
Mark Andrews
Howard Becker
Dan Blumenfeld
Frederick H. Boughter
John C. Brown
Margaret Bryant
Thomas D. Buckley
Lori Butterfield
Mark A. Catalano
N.J. Cherry
Denny Cooley
Alan Corbett
Don DeBoef
Thomas A. DeLong
Steven Dorfman
Dan Einstein
Gregory P. Fagan
Linda Failmezger
Jeff Freedman
Eric Goodman
Alan Goodman
Carol Guerriero
Bart Hawley
Wayne Hendershott
Bob Hogan
Craig Johnson
Jon Katz
Jim Kearney
David W. Kleeman
Jeffrey D. Knight
Ronald Kramer
Edward W. Land
Mike Lerner
T. E. McLeod
Jim Mehrling
Ronald A. Middlekauff
Peter A. Mobilia, Jr.
Deborah Mcldow
Richard Muir
S. Orlove
Bob Parker
Todd Pickett
Nancy Alice Quinn
Scott Roberts
Tom Roule
Marcia Rovins
Rick Russell
R.M. Schafbuch
Dain Schult
Kenneth Schwartz
David Schwartz
Alvis Sherouse
D.J. Shugars
Howard Simcox
Mark Sudock
Gary Theroux
David Weiner
Bruce Williams

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FreezeFrame can improve your image.

FreezeFrame

Frame.

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You can preview and even improve the video image because FreezeFrame has a full range of image enhancing controls including tint, contrast, color, sharpness, brightness and raster fill. And if you're shooting prints, FreezeFrame uses a new color print film specially developed for use with video imaging.

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For more information, mail this coupon to Polaroid Corp., Dept. 671, P.O. Box 5011, Clifton, NJ 07015.

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Organization ____________
Address ____________
City ____________
State ________ Zip ________
Telephone ____________
Video Source ____________
Application ____________

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WHAT'S NEW AND NOTEWORTHY IN THE ELECTRONIC ENVIRONMENT

REPORTS

INTERNATIONAL TV

U.S. Joins Afghan War—With Cameras

The Reagan administration may not be willing to extend diplomatic recognition to the Afghan rebels or provide them with sophisticated Stinger missiles, but if all goes according to plan, it will soon unleash on the Red Army that most effective of nonlethal weapons—television.

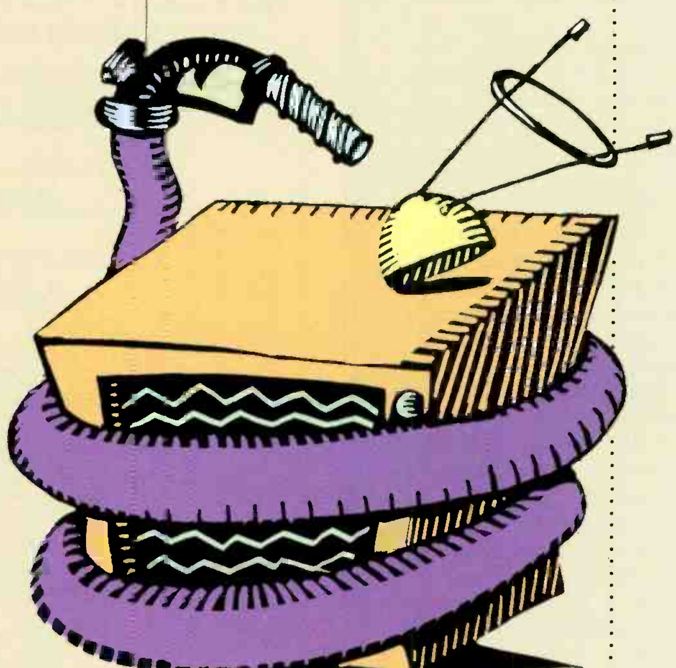
At the administration's request, Congress has allocated $500,000 to the U.S. Information Agency to "promote the development of an independent media service by the Afghan people and to provide for the training of Afghans in media and media-related fields." The strategy, based on the lesson of Vietnam, is to carry the war to the living rooms of the Third—and especially the Islamic—World. The USIA says it wants to create both a "professional, independent and credible Afghan News Agency" and a "media resource center" for journalists in Peshawar, Pakistan, on the Afghan border.

The USIA has awarded the contract for this set-up work to the King Features Syndicate and to Boston University's College of Communication. The news agency will be divided into three parts: print, photography, and radio and television. The plan calls for military commanders inside Afghanistan to select young members of the *mujahideen* (guerrillas fighting the Soviets and the Afghan Communists) and send them to Pakistan, where technicians will train them to use modern video equipment. At the same time, a news and editing facility will be built in Peshawar. After the necessary training, teams of these young men will return to their units, film the war and send the footage back to Pakistan.

It may take an Afghan pony express to accomplish it all: The film will be carried by motorcycle, camel, horse, jeep or mule, then edited in Peshawar, sent up to a satellite and beamed to any country, network or station that wants it. Thus, the U.S. hopes to make Afghanistan truly Russia's Vietnam, a television war, for the world to see—and judge—every night. JERE VAN DYK

TV STATIONS

Oil Patch Blues



The collapse of OPEC and plunging prices for oil have put the economies of the American oil patch in full retreat, and local broadcasters are feeling the pinch. Sunbelt affiliates and independent stations, which in the early 1980s rode the climbing price of oil to record ad revenues and profits, now face income shortfalls almost as dramatic.

"It's scary. Every time the price of oil drops, it's a new game out here."

"The slowdown has been building since the last half of '85," says Don Richards, general manager of Oklahoma City's KAUT-TV. "This economy is so oil driven it has been slowing steady since petroleum prices started down." Stations throughout the Southwest are shedding their excess fat by layoffs and attrition and are making Draconian cuts in travel and entertainment budgets—once considered the most lavish in local television.

"It's scary," says Ben Hevel, general manager of NBC affiliate KJRH-TV in Tulsa, Okla. "Every time the price of oil drops it's a new game out here."

Hiring freezes have been in force at virtually every station in the Southwest all year, and other stations have adopted even stiffer measures. WFAA in Dallas, an ABC affiliate that was traditionally the city's most prosperous TV station, has laid off 38 production and clerical employees since January—15 percent of its staff. Less dramatic layoffs are reported at affiliates and independent stations in Tulsa, Fort Worth and Houston. Even PBS stations are hurting. "We started having a cash-flow deficit in December, and we've lost a few underwriters," says James Bauer, general manager at Houston PBS station KUHT.

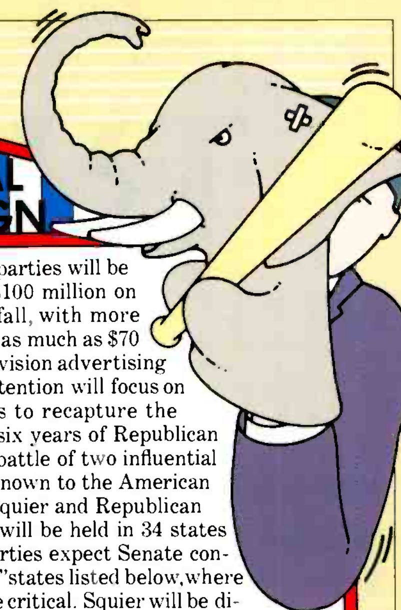
Oil companies themselves are not big local advertisers, but their woes ripple throughout the rest of the economy, forcing industries like real estate and banking to curtail their ad budgets drastically. May ad revenues in the Dallas market were down 37 percent from last year, according to a spokesman for Dallas TV station KDFW, who said restaurants, tourist attractions and furniture stores have cut back the most.

Soft prices for airtime have been a boon for ad agency media buyers, who are enjoying newfound clout with local stations. Ad rates in Dallas have been flat since November and are down 2 to 5 percent in Houston and Austin. In Oklahoma City and Tulsa, according to Joan Martin, associate media director at the ad agency Tracy-Locke/Dallas, "prices are very negotiable. We are dangling the dollars and they are cutting prices to get them."

Perception can sometimes hurt as much as reality. Convinced that buying power has plummeted with oil prices, national advertisers have also pulled back, even in cities that do not rely so heavily on oil. In San Antonio, local advertising is up, national ads way down. Says Jack Dix, general manager of ABC's San Antonio affiliate, KSAT, "We're all being tarred with the same brush."

DENNIS HOLDER

REPORTS



THE REAL CAMPAIGN

The two major political parties will be spending upwards of $100 million on U.S. Senate races this fall, with more than half that amount—as much as $70 million—pouring into television advertising alone. While national attention will focus on the Democrats' efforts to recapture the Senate majority after six years of Republican control, the real race is the battle of two influential media advisers, virtually unknown to the American public—Democrat Robert Squier and Republican Robert Goodman. Senate elections will be held in 34 states this year, but strategists of both parties expect Senate control to hinge on the eleven key "swing" states listed below, where the candidates' TV advertising will be critical. Squier will be directing the media campaigns in four of these swing states; Goodman will be handling five. In three of the most important races—Florida, Alabama and North Carolina—Squier and Goodman will meet head to head. Counting retainers and their standard 15 percent commission on all media buys, both of them stand to make at least $1 million in fees, but their real reward will be a place in history. Depending on the success of their television campaigns this fall, either man could be credited with delivering the Senate to his respective party.

	REPUBLICAN		DEMOCRAT
Florida			
Consultants:	ROBERT GOODMAN	vs.	ROBERT SQUIER
TV Budget:	$4-6 million		$3 million
Other:	*(Sen. Paula Hawkins)*		*(Gov. Robert Graham)*
Alabama			
	ROBERT GOODMAN	vs.	ROBERT SQUIER
	$1.5 million		$1 million
	(Sen. Jeremiah Denton)		*(Rep. Richard Shelby)*
North Carolina			
	ROBERT GOODMAN	vs.	ROBERT SQUIER
	$1.5 million		$1 million
	(Sen. Jim Broyhill)		*(Terry Sanford)*
North Dakota			
	ROBERT GOODMAN	vs.	Frank Greer
	$700,000		$400,000
	(Sen. Mark Andrews)		*(Kent Conrad)*
Louisiana			
	ROBERT GOODMAN	vs.	Ray Strother
	$1.5-3 million		$1.5 million
	(Rep. Henson Moore)		*(Rep. John Breaux)*
Missouri			
	Don Sipple	vs.	ROBERT SQUIER
	$2.5 million		$2 million
	(Christopher Bond)		*(Harriett Woods)*
California			
	Ron Smith	vs.	Bob Schrum
	$5-6 million		$4-5 million
	(Rep. Ed Zschau)		*(Sen. Alan Cranston)*
Nevada			
	Sig Rogich	vs.	Michael Kaye
	$1.5 million		$1 million
	(Jim Santini)		*(Rep. Harry Reid)*
Idaho			
	Bryant Reinhart	vs.	William Drake
	$2 million		$1.2 million
	(Sen. Steve Symms)		*(John Evans)*
South Dakota			
	Maury Paulsen	vs.	Carl Streuble
	$1 million		$1 million
	(Sen. James Abdnor)		*(Rep. Tom Daschle)*
Vermont			
	Alex Castellanos	vs.	Ken Swope
	$750,000		$500,000
	(Richard Snelling)		*(Sen. Patrick Leahy)*

COMPILED BY ALAN BURDICK

ILLUSTRATION BY ROGER GORMAN

REPORTS

CABLE TV

Easy Pay Per View May Be in Sight

If pay per view is to be cable's salvation, most operators agree that a system is needed that allows subscribers to order on impulse, with minimum effort, right up to program time. The snag in PPV thus far has been inefficient ordering caused by tied-up phone lines and human error.

Now three experiments have caught the industry's attention: Viacom's Cablevision test in Milwaukee, one by Centel Cable in Michigan and a national experiment by Jerrold Subscriber Systems. What operators are watching most closely are the "buy rates," the percentage of monthly PPV orders measured against the number of subscribers in a cable system. (If 50 subscribers out of 100 order two events each, the buy rate is 100 percent.)

Viacom is a third of the way through its nine-month Milwaukee test, being run with AT&T. Customers order PPV events by tuning in a channel that lists film titles, prices, starting times and a phone number—different for each movie. When the call is received, the order is automatically registered.

In the Michigan test, using the same technology, Centel says it racked up a 28 percent buy rate in a system that had never tried PPV before and was offering only one film a night.

But it's Jerrold's "Cable Video Store" that really has operators taking notice. In that test, a refinement of one done last summer for Group W, customers choose among 50 to 60 films—old and new—each month, and order them right up to showtime or even after, simply by pressing buttons on a keypad. Jerrold, a division of General Instruments Corp., says its tests in six cable systems around the country are producing buy rates of over 200 percent and revenues averaging well over $6 per customer per month.

But Request TV's Jeffrey Reiss and Viacom's Scott Kurnit, two competitors, charge that the rates are misleading, skewed by low pricing and by Jerrold's test group: subscribers most receptive to pay per view. Still, Paramount's Alan Cole-Ford, vice president of video distribution, hails the results, which he says show that titles already seen on PPV and even on pay TV can be sold again via pay per view. Thus, the prevailing wisdom—that PPV can only prosper with the latest films and the most-hyped events—may not be wise at all. JOHN MOTAVALLI

Jerrold's "Cable Video Store" has achieved spectacular PPV buy rates. But are the figures real?

VCRs

Korean TV Copier Draws MPAA'S Ire

For the second time in two years, the Motion Picture Association of America is blocking the borders against a "copying" VCR. In 1984, MPAA president Jack Valenti almost single-handedly kept Sharp's double-cassette recorder out of the country, threatening a lawsuit for aiding and abetting copyright violations. Now Samsung, the Korean giant, wants to sell what it calls the Translator, "the ideal means to play back and edit 8mm tapes onto VHS." An 8mm camcorder plugged into a standard one-deck VCR will do the same thing, but Samsung says its VCR will make the process easier.

After announcing it would unveil the Translator at the Consumer Electronics Show, Samsung ran head-on into the MPAA. Samsung retreated, and in a polite letter told the MPAA that it was merely surveying dealer reaction and had no plans to produce or sell the Translator "at the present time"—a period that lasted four days, June 1 to June 4, the duration of the show. Dealer response was so hot, the company later said, it would be crazy not to produce the Translator. Enter Valenti.

"MPAA will empty the cupboard bare of every alternative, either by Congressional law or administrative action or court decision or whatever" to keep the machine out of the U.S., he said.

The showdown seems to have precipitated a crisis within Samsung itself. First, it said it would introduce its VCR this year under $1,000; now it says it hasn't decided on a date. The American division seems to want a fight; the Korean brass appear to be looking for a way out—especially since the trade group, the Electronic Industries Association, has been conspicuous in its lack of support. DAVID LACHENBRUCH

SAMSUNG

Valenti: Leading the assault against the 8mm copying VCR.

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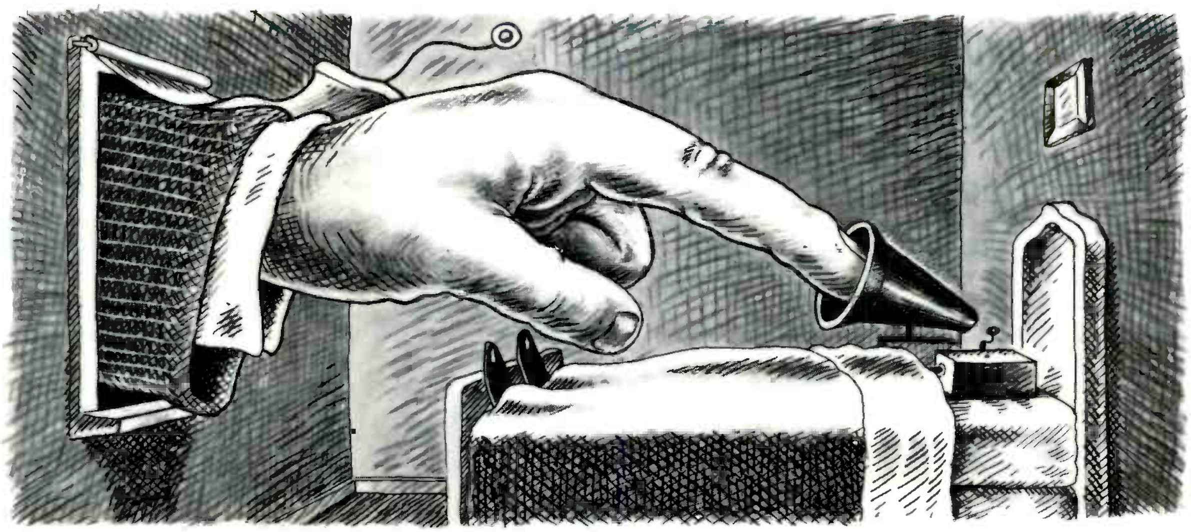


HOW RCA DIED IN ITS SLEEP

RCA has gone gently, very gently, into that good night. Its demise was sealed when the board of directors agreed to a $6.28 billion friendly takeover by General Electric, the largest such transaction ever outside the oil industry. Yet the whole affair was curiously undramatic, as if the disappearance of a 66-year-old company whose history was the history of broadcasting itself amounted to nothing more than a transfer of resources to a larger and more efficient user. Only an apoplectic shareholder meeting seven months ago, at which a gang of retirees, many of them former RCA employees, complained of being raped, swindled and abandoned, shattered the genteel atmosphere.

What the stockholders, with their elaborate conspiracy theories, failed or refused to recognize was that RCA had very little choice in the matter. How can a $10 billion company be unable to safeguard its sovereignty? Possibly the French were asking themselves a similar question in the summer of 1940. The rules have changed so quickly; the world has become so predatory. RCA equipped itself with the most up-to-date antitakeover weaponry—staggered terms for the board of directors, a particularly punitive version of the poison-pill defense. But it was all for naught. When the RCA board met last December to consider a friendly offer from GE, it was clear to all that the only alternative was a hostile one.

"It wasn't a case of 'Okay, let's forget GE and go back to where we were,' " as one board member recalls. "Once you get in play, there's the likelihood of others moving in." Independence was already an obsolete issue; only RCA's ultimate owner was in doubt. At least GE wouldn't break up the company and sell off the pieces, as the takeover artists rumored to be nosing around the company would have done.

Wall Street heavies and forward-looking chief executives have now thoroughly inured themselves to the pitiless mechanism of the takeover, like cavalry officers adapting to tank warfare. The public, on the other hand, seems to be lagging. To most of us, the giants of big business, like the inhabitants of Olympus, seemed immortal. A share in a blue chip was a share in eternity. And then a $10 billion corporation disappeared overnight. What happened to the status quo? "There is no more status quo," as Nicholas Heyman, an analyst at Drexel Burnham, so succinctly puts it.

You have to wonder if RCA was entirely adjusted to the post-status quo. Bankers and analysts almost uniformly praise Thornton Bradshaw's six-year tenure, with the caveat that the company seemed not to have a clear plan for the future. Its antitakeover measures were too little, too late. Its attempted acquisition of MCA in 1985 was clumsy. Above all, it moved without urgency, as if its survival were not at stake. Bradshaw, a professor at Harvard Business School 35 years ago, learned his tactics in another era, the age of effortless prosperity. The ease of that time is written in his friendly, donnish features. And it is that ease and gentility, resting on a buoyant status quo, that has disappeared with RCA.

For the next three years, while he remains as "consultant," Bradshaw will report to GE chairman Jack Welch, who, at 50, is 18 years his junior. The same experts who admire Bradshaw with reservations adore the iron-browed Welch, as if he were the very incarnation of the new rules which all seek to master. He acts, it has been said in a striking phrase, with the fierce passion of a man who sees the world on fire. He has moved with remarkable speed to get GE out of manufacturing and into electronics, high tech and services—thus RCA. The

ILLUSTRATIONS BY ROBERT KAUFMAN

new acquisition will be subjected to Welch's severe standards: Win or go. Divisions that can't thrive in a world on fire—the failing semiconductor business, as a likely example—will be sold. Executives with the pace of yesteryear will be fired. NBC chairman Grant Tinker, who has announced his retirement, must be replaced. This may prove frustrating. Tinker has never been one for urgency; he moves with an implacable patience. He has the innerness, the reserve, of an earlier generation. Somehow, that worked. Perhaps networks ought not be run by men who feel the world is on fire. One wonders if Jack Welch understands that. JAMES TRAUB

NO WAY TO TREAT A LADY

No more pastels for Johnson and Thomas. Their Italian *alta moda* will descend into moody monotones of steel, slate and charcoal. And it's deep six for the Corvette engine in the Daytona Spyder. This fall, Crockett is cruising in a genuine Ferrari.

Hype about the third season of *Miami Vice* keeps barraging us: Don Johnson's holdout, the show's new design and color scheme. More than ever, *Vice* promises to be slick, riveting and very, very hot. But will twisted messages continue to lurk behind the new and improved packaging?

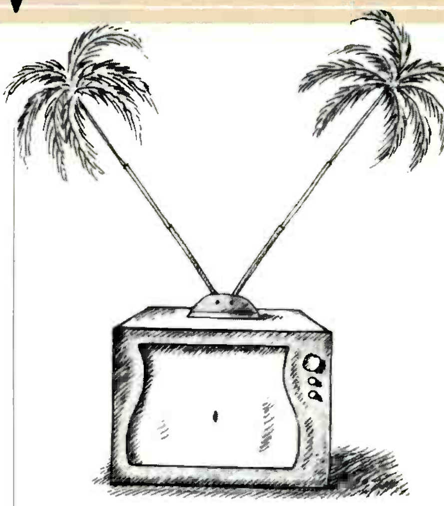
For two seasons, the show has been shamelessly antiwoman, its female characters uniformly deceitful, demented, decadent. Heterosexual relationships are uncool. Partnerships between men are the ultimate experience.

For starters, none of the male characters has had a permanent relationship with a woman or wants one. Take Crockett's love life. Given the choice between wife and career, Crockett quickly teamed with Tubbs, a partnership that was obviously deeper and tighter. Once, he wavered, almost falling for a socialite, until she let him oversleep the morning of a stakeout. Tubbs got beaten up. Women. Always in the way.

Remember when Switek asked his girlfriend to move in with him? To use Tubbs's expression, the guy must've left some of his groceries at the market. First she tacks up a picture of Princess Diana and Prince William (marriage is bad enough, but kids?), then she can't understand why sex should be secondary to Zito and Switek gyrating in their jockey shorts to Elvis on the tube. It doesn't take Switek long to dump her.

When women aren't chilling men's careers, they're being untrustworthy. There's the time Trudy turned in her boyfriend for dealing dust. "I'm a cop," she explains when confronted with the betrayal. "You got no soul, no honor," her lover replies—the ultimate *Vice* invective. When women are featured at all, they're usually prostitutes or posing as such. Should Trudy and Gina appear, they invariably go undercover as hookers, wrapped snug and hung loose. Clearly, the writers of this Emmy Award-winning show know a woman's proper profession.

But for those few females who escape street work, a special role is reserved: victim. When Gina is raped on assignment, Sonny no longer finds her desirable—the old problem of used goods. And then there are the out-and-out killers. Rita was the



sensitive, cultured wife of a drug dealer. He showered her with everything but respect. She was slapped around, thrown into a swimming pool and manipulated by her husband until she snapped and murdered him. When females appear on *Vice*, they are what men have made them.

It's ironic that a show with millions of women tuned in and turned on each week earns more than a gold card for male chauvinism. To quote Sonny Crockett: "What the hell's going on here?" WENDY LEBING

MUSICAL CRITICS' CHAIRS

Back when there was a Volkswagen Bug, I took pride in being able to distinguish one year's version from the next. There were subtle, barely perceptible changes in each model, which the connoisseur could discern. I thought of the Bug recently because of *Sneak Previews*, or maybe it was *At the Movies*, although it could have been *Siskel & Ebert & the Movies*.

All these movie-review shows, which critique the product of Hollywood manufacturing, are produced in Chicago, where no one's footprints are in cement, although some mobsters' torsos are.

Roger Ebert, Pulitzer Prize-winning critic of the *Chicago Sun-Times* (where I'm employed), will tell you, "Gene and I are making movie criticism a cottage industry in this town." He's right. He and Gene Siskel started *Sneak Previews* on Chicago's public station, WTTW, nine years ago. Then the show went national on PBS. When their contract expired in 1982 and WTTW refused to offer them the appropriate bucks, they walked, but not far—to the Tribune Entertainment Co., where they started *At the Movies*. WTTW countered by teaming Jeffrey Lyons with Neal Gabler, and later with Michael Medved. When Siskel and Ebert's Tribune deal concluded, in came the Walt Disney Co., offering them $800,000 apiece to do their shtick in syndication, taped, again in Chicago. Meanwhile, Tribune enlisted *New York Post* critic Rex Reed and Showtime's movie star interviewer Bill Harris to fill the aisle seats on *At the Movies*.

All of which begs the question: How many of these shows does one nation need? It's a question that will no doubt be answered soon, but it seems evident that your typical TV viewer—who may not be your typical moviegoer (i.e., a teenager)—is unlikely to sit still and watch six people talk about movies for 90 minutes each week.

It looks like, for a season at least, America will have three places to confirm what it already knows: Arnold Schwarzenegger can't act; the latest *Rocky* movie stinks; and, by God, Meryl Streep gets good roles.

P.J. BEDNARSKI

WHAT HATH TV WROUGHT?

On the first day the cameras appeared in the Senate chamber, John Glenn of Ohio powdered his shining pate, waved a red tie in warning and predicted the demise of the world's greatest deliberative body if the electronic intrusion became permanent. Most of his colleagues demurred, steadfastly insisting that TV would have no effect on how they conducted the business of the nation. Here's how the presence of cameras affected some leading figures:

• Senate Minority Leader Robert Byrd: His once-soaring pompadour noticeably deflated during the six weeks of summer TV and its familiar lavender hue changed to a more natural, statesmanlike silver.

• William Cohen of Maine: In response to his staff's entreaties that his habit of rocking back and forth at the lectern made them seasick, Cohen worked to curb the quirk.

• William Proxmire of Wisconsin, Bill Bradley of New Jersey and John Heinz of Pennsylvania: These three solons became most adept at the hitherto unpracticed senatorial art of show-and-tell. Proxmire produced a gigantic dollar bill to help decry Star Wars spending; Bradley showed up with a chart containing figures of "Everyman" to emphasize the need for authentic tax reform. Heinz took his position before the cameras, accompanied by an artificial kidney and a roll of dialysis tubing to make a point about organ transplants.

• Russell Long of Louisiana: The lame duck took to wearing clip-on sunglasses, saying the TV lights offended his eyes. Earlier he made it clear that televised law-making offended his sensibilities as well.

• Ted Stevens of Alaska: He delivered a tirade one summer night against special exemptions in the tax code. Why Stevens was delivering the address at 12 midnight was soon apparent to savvy observers: Midnight in Washington, D.C., is prime time in Alaska. In his lengthy disapprobation, Stevens failed to object to one particular special exemption in the code: the one for raising Alaskan reindeer.

ANNE GROER

KEEPING UP WITH THE JENNINGS

Jane Pauley is only half as valuable as Bryant Gumbel. In the age of the bottom line that's the only conclusion to be drawn. The *Today* show co-hosts may rise at the same predawn hour; they may anchor and interview and dampen together under the same lights, but when they line up at the feed trough, Gumbel comes away with almost twice as much. According to a recent *Adweek* survey, he earns $1 million a year; she, $575,000.

Still, it could be worse for Jane. She could be traded to the third-place network, ABC, where the bosses apparently live on rice and beans and the hirelings on Hamburger Helper. In a Spartan rebuke of their lavish industry, the four Cap Cities executives who run ABC make do on an average of barely half a million a year. Their ace newsman, Ted Koppel, generally rated the best in the business, pulls down $800,000 a year, and earns every penny of it. His *Nightline* airs five times a week, and Koppel spends several grueling hours beforehand in preparation. Yet over at CBS, Ed Bradley, one of four anchors at *60 Minutes*, and a newsman who scarcely appears on air once a week, feathers his nest with $1 million a year. Of course, *60 Minutes* makes a lot more money than *Nightline*.

Like the New York Yankees, which it used to own, CBS continues to hand out the big simoleons despite a significant decline in its won-lost record. Perhaps that's one way of retaining prestige. Consider the evening news sweepstakes. ABC's Peter Jennings, the current number three, racks up $800,000 per annum. Tom Brokaw of NBC, who just caught Dan Rather, earns $1.5 million. But Brokaw is still a million dollars off the erstwhile news godhead's pace. Rather pulls down a cool $2.5 million.

Clearly, the news game has taken on the ethos of pro sports, where a man is known by the size and complexity of his contract. Thus, in the realm of sportscasting, the pecuniary distinction between performer and commentator has gradually disappeared. Pat Summerall earned peanuts in his years as a New York Giants placekicker; now CBS pays him $1 million to say, "Well, John Newcombe, it looks like Ivan Lendl has come to play." Meanwhile, the great paymaster of Black Rock metes out $300,000 to senior correspondent Lesley Stahl for her dogged legwork at the White House. And ABC's Sam Donaldson gets only $600,000 for president-baiting of a high order. But Summerall still has room for financial growth, especially if he can sit down with Marv Albert's agent. The hyperkinetic Albert, a sportscaster for NBC, earns $1.7 million a year. That's $200,000 more than Brokaw, and almost twice as much as NBC chairman Grant Tinker, Albert's boss, who saved the entire company from ruin.

In an exquisite display of bad timing, Ronald Reagan, a former sportscaster, left the job in the microdollar days and found a new profession with equally limited salary horizons. Nowadays, no ambitious lad with a decent set of vocal cords and a good head of hair would make the same mistake. Despite a string of winning seasons, Reagan hasn't had a raise in five and a half years, pulling down a miserable $200,000. You have to wonder about the man's career sense. Glenn Brenner stuck with it, and look at him today. Brenner delivers the ball scores on WUSA-TV in Washington, only a few blocks from the White House. But Brenner earns a comfortable $350,000 a year.

JOSEPH VITALE

THE PUBLIC EYE

by Les Brown

ABC'S DANGEROUS GAME

The new people at ABC are displeased with the network system and want to make it over in their own, more businesslike image. They're not happy about the high risks in programming and have no tolerance for series like *Monday Night Football*, which lately has taken to losing money every week while still attracting large audiences. They have even wondered aloud whether a network might make larger profits running third in the ratings if the program costs and risks were sufficiently reduced.

Coming from a different part of the television world, as operators of affiliated stations that rode the networks while the networks took the chances on programming, the Capital Cities management has been accustomed to profit margins as high as 60 percent from broadcasting. That kind of efficiency has made them widely admired on Wall Street as the quintessential "lean-and-mean" operators. Clearly, the Cap Cities leaders believe they can create a new kind of network that makes more money by spending less. Clearly, they are playing a dangerous game.

If ABC were to lose as many as 50 affiliates on Monday nights to a special network feeding pro football, it would have to quit broadcasting for those two valuable prime time hours.

Television has developed a highly complex ecosystem in the '80s composed of networks, affiliates, independent stations, cable, advertisers, program suppliers, "fourth networks," syndicators, home video and satellite receiving dishes. This is a rapidly changing and highly volatile ecosystem, and any group that thinks it can take charge of it and shape it to its liking is simply naive.

There is a logic to the notion that a network dealing in low-cost programming could run third and still be handsomely profitable. The strategy might even work, on paper. But in practical terms, there isn't a chance it would fly. The networks may be the largest creatures in the ecosystem, but they don't set the rules. They survive through a delicate relationship with their affiliates, without whom they cannot cover the entire country. And affiliates cannot afford to run third; theirs is a different economy, whose advertising rates are governed by Nielsen and Arbitron numbers, whatever the networks' program costs.

If the ABC network should start sending down low-budget programs for its own gain, the affiliates will answer by declining those programs and using syndicated fare instead. If enough affiliates preempt them, ABC's cheaper programs won't make money at all, because they won't provide advertisers the national coverage they require. In the end, cheap will turn out to be very expensive.

Suppose this new profits-obsessed management refuses to renew the professional football games on Monday nights because the series lost $25 million for ABC last season. If the National Football League had nowhere else to shop the package, dropping it would make perfect sense. But in fact the games conceivably could go to pay cable, and if that happened ABC would strengthen one of broadcast television's most serious competitors. Football didn't lose its popularity, but advertisers found other ways of reaching the desired male viewers and balked at paying the premium rates *Monday Night Football* had always commanded. In letting the popular sport of football get away, ABC would be aiding cable with its quest for subscribers and, as a consequence, accelerating the steady erosion of the networks' audience.

ABC would be lucky if the Monday night games went to pay cable; a worse alternative would be to lose the games to one of commercial television's so-called "fourth networks," such as Rupert Murdoch's Fox Television or Stanley Hubbard's Conus cooperative. Either would easily line up the requisite 200 stations for the Monday night events, and many would surely be ABC affiliates. If ABC were to lose as many as 50 affiliates on Monday nights to a special network feeding the games, it would have to quit broadcasting for those valuable prime time hours. A network that clears only 150 or 160 stations in prime time simply can't compete with two other networks that have full clearances. If ABC tried, it would lose more money than by carrying NFL football at a loss.

So Cap Cities/ABC finds itself in a bind. It has to play the network game pretty much as prescribed. Every concession of expensive popular programming to outside competitors weakens all the networks; every attempt to go with cheaper programs lowers ABC to the level of Fox Television or the barter syndicators, and increases its vulnerability to their assaults.

Everyone takes chances in television show business: the Hollywood studios that produce at a deficit, the networks that buy the shows knowing that eight out of ten will fail, the affiliates that clear the time when they might as well be carrying an old movie or syndicated wrestling. Tom Murphy and Dan Burke, the new heads of Cap Cities/ABC, are undeniably first-rate businessmen, but they may be in the wrong business if they only want to play the sure thing. The network business has always been a messy one for the savants of the bottom line. In trying to clean up ABC's act, Cap Cities could well make an even greater and lasting mess of it. ●

ILLUSTRATION BY DAVID GOTHARD


THE DEFICIT TRIALS
2017 A.D.

THE BUSINESS SIDE

by Merrill Brown

Paralyzed by regulation, the networks must watch as the studios and a group of upstart companies gain strategic advantages.

THE SHIFTS IN TELEVISION POWER

As a new television season gets under way, opening, among other things, the latest chapter in the saga of the fourth network, the most significant industry story this fall is the rapidly shifting balance of business power from the East Coast to the West—and everywhere in between.

The symbols of change in how and where American television does business are the newly integrated film-and-broadcast companies such as Fox, MCA, Lorimar-Telepictures and Tribune Broadcasting, all of them far removed from the Sixth Avenue axis of the networks. These days, there's clout galore outside New York and Los Angeles, in places like Atlanta (where the Turner empire is based), Chicago (where the Tribune Company is headquartered) and Denver (where a number of cable operations, including the giant Tele-Communications Inc., have taken root).

Telecommunications and air travel have eliminated the strategic need to be based in New York, the traditional home of media because it is also the center of advertising and finance. But new growth fields such as cable spring up wherever the entrepreneurs behind them choose to live—witness the geographic diffusion of the computer industry.

The most recent decentralization began several years ago when the networks, with political momentum and academic thinking solidly on their side, went to Washington with hopes of killing the financial-interest-and-syndication rules, the Federal Communications Commission's regulations barring ABC, CBS and NBC from owning most shows and from syndicating any.

Cast at first as only a fight between the stuffed suits of New York and the open shirts of L.A., the regulatory battle at the FCC was won by the networks. They ultimately lost the bigger war with the administration and Congress when President Reagan stepped in, sided with his Hollywood cronies and stifled the network crusade.

With the networks thus barred from getting very deeply into the production business, the film studios seized the advantage and moved into television-station and even theater ownership. All the while, because of the fin/syn rules, the networks were powerless to launch a similar vertical integration. What's left of Washington's trust-busting establishment looked the other way as the cash-rich studios put together their combinations of production, distribution and exhibition.

The multibillion-dollar investments in cable networks, station groups, fourth networks and home-video operations would seem to suggest that the programmers may now have the upper hand. For that reason, chiefly, film- and television-production stocks sharply outperformed broadcasting and cable television stocks during the first half of 1986, even though box office revenues were sagging, according to data accumulated by Paul Kagan Associates.

Although there's a feeling that Washington will be forced to revisit the old rules and eventually "level" the playing field, the difficulty in building consensus—among the networks and studio groups—suggests otherwise. CBS, for one, has on several occasions been on the verge of a deal with a group of major studios, but divided opinion among production executives has stymied those and other private efforts.

With nothing likely to happen in Washington in the near future, the balance of business power is likely to continue to shift from New York to the newly emerging broadcasters/producers. They'll continue to control their own program properties and feed them to their stations or cable networks, as well as to other outlets in the syndication market. The historic clout of the Motion Picture Association of America and the savvy political fund-raising of Hollywood gives the production industry a major tactical advantage over the networks.

Nor is there reason to think that the integration of distribution and production in the TV business won't continue. Gulf & Western, Paramount's parent, will ultimately get into station or cable ownership; the Disney organization is already looking aggressively at television purchases to go along with its cable network. Meanwhile, the pressure to buy into stations or networks is intensifying at Coca-Cola's Columbia unit, the only "major" not owning its own television exhibition facilities.

With all this expansion under way, the networks are doomed by regulation to stay in a shrinking business, one continually eroded by new competitors. They are further limited by three cost-cutting corporate managements and by a government that has no liking for the power, and perceived political leanings, of network news operations—and therefore little interest in unshackling them from outdated rules.

What's happening is surely a revolution, but not necessarily a bad one. Decentralization brings new, clever entrepreneurs into the business while at the same time easing the fears of a country historically worried about concentration of power. People concerned about the geographic isolation of network news executives have only to consider the fact that the nation's first and only all-news TV operation runs quite successfully out of Atlanta, where neither stuffed suits nor open shirts are the attire of the day. ●

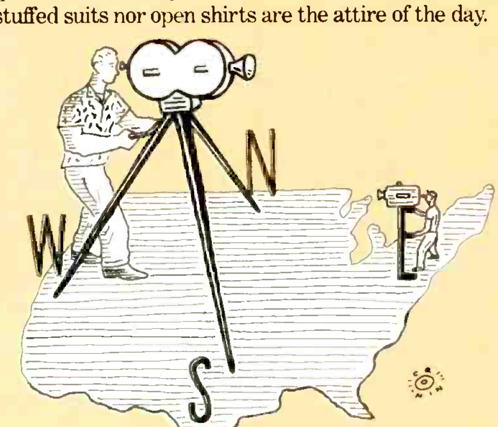


ILLUSTRATION BY BRIAN CRONIN

The Sweet Buy and Buy

PHOTO BY JOSE FERNANDEZ; INSET: JEFFREY YOUNG

Bud Paxson combined two of America's favorite pastimes, watching television and shopping, and made Home Shopping Network a hit on Main Street—and Wall Street.

by Mark Frankel

Lowell "Bud" Paxson, president of the Home Shopping Network, sprawls over a couch in his office at the end of a long day. A large, lanky man, Paxson speaks in the sonorous baritone of a radio announcer, but he has the congenial, boyish face of a TV weatherman. Less apparent to the eye, Paxson is worth approximately $376 million on paper since he took his company public last May. Little known beforehand, HSN gained overnight fame on Wall Street as the hottest new issue of the year and the darling of the financial community. Paxson has had little rest since then.

More than anyone else, Paxson is the man behind the success of the cable channel that bills itself as "America's original live, discount, shop-at-home TV service." It is the first nationally distributed, commercially successful shopping channel on cable. Depending upon one's point of view, Paxson's brainchild is either the herald of a brave new world of merchandising, the last best hope of the cable industry or a commercial nightmare born out of late-night television. In fact, it's all three. Beyond dispute, however, is the lasting impact HSN will have on the future of broadcasting and retailing.

Right now Paxson, 51, is describing something he saw at Disney World, in Orlando, just a hundred miles away from HSN's headquarters in a Clearwater, Fla., shopping center. There, as part of Space Mountain, Disney designers created the "House of the Future."

"There's a woman sitting before a large-screen television, dressed a little like someone from *The Jetsons*, and she's buying plates and silverware from her TV," Paxson says. "This was supposed to be in the year 2025. Well, in 1982, we sold plates and silverware to housewives over television." That was HSN's pilot launch.

If Paxson sounds a tad boastful, he might be forgiven this once. In the four years since the debut of what was initially called the Home Shopping Channel, the company has grown from less than $900,000 in annual sales to estimated revenues of $150 million this year, selling everything from tools to jewels to clothing to home computers, and just about anything else imaginable, at discount prices. Revenues during the nine months ending May 31 topped $106 million, yielding net profits of $11.4 million. Since July 1985, HSN has been seen nationally, introducing the concept of shopping via television into more than five million cable-equipped homes. HSN produces two live programs devoted exclusively to merchandise for sale. Transmitted by satellite, they run 24 hours a day, seven days a week.

"We're a specialty retailer," says Paxson. "You go into this business to sell merchandise, not to be a programmer. But what you have is all the ingredients of broadcasting."

Wall Street believes this explosive growth is only the beginning. HSN says it adds 3,000 new purchasers each day to its customer base of 350,000 "club members" who have become adherents of its curious mixture of merchandising and cablecasting. HSN represents the first big success for interactive cable. Its achievement has eluded cable visionaries for years, but in Paxson's wake direct video sales of merchandise could hit $200 million this year and triple or quadruple by the end of the decade, says Larry Gerbrandt of Paul Kagan Associates.

With numbers like that, it comes as no surprise that HSN already finds itself facing the prospect of competition. Weeks before HSN's stock hit the market, the nation's largest cable multiple system operator (MSO), Tele-Communications Inc. (TCI) of Denver, announced the launch of its Cable Value Network. TCI's new shopping channel already has the backing of other major MSOs, includ-

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From tools to jewels, HSN founder Paxson will sell anything. He turned a modest direct-sales radio show into a $150 million-a-year cable cash cow. The company's 120 in-studio computers dispatch 18,000 packages a day.

ing Warner Communications and United Cable Television Corp., and TCI is confident that it can quickly catch up and surpass HSN. There are other local shopping channels springing up as well, in New Orleans; Rochester, N.Y.; Tulsa; and Fairfax County, Va.

But the attention now is on HSN and on Paxson, who started all the fuss almost ten years ago at a small, struggling AM station in Clearwater just to pay the bills. Paxson's otherwise businesslike demeanor fades as he lyrically contemplates the thousands of orders HSN receives each hour for everything from chain saws to typewriters to fur coats and cameras and cookware.

"You can feel the pulse of America," he says. Yes, indeed. Paxson hears America shopping.

Standing in one of the two cavernous studios watching HSN operate, one becomes aware of its many disparate elements. Its "programming" is equal parts medicine show, hard-sell commercial and the schmoozy familiarity of Merv Griffin.

Carmella Richards, a star of the HSN sales force, is halfway through a two-hour "Charm-a-thon," selling hundreds of pieces of gold jewelry. It's a little after 6 P.M., the beginning of HSN's prime time. Richards, a tanned, athletic, relentlessly perky brunette stands at a counter, describing the jewelry for sale as two young women alternately display the pieces before three remote-controlled cameras.

An image of a lion's-head gold pendant fills the studio monitors as Richards begins the windup of her pitch. Like most of HSN's 24 "hosts," she has no previous broadcast experience. She used to work in a dress shop. "This pendant is perfect for your summer attire," she notes enthusiastically. "You can mix this with your silver, you can mix it with your pearls. It retails for $374.95, but we've cut it all the way down to $136.50!" A raucous chorus of clanging cow bells and applause rises from the banks of telephone operators each time Richards announces HSN's discount price.

Behind the scenes, HSN is tied together by sophisticated computer technology reminiscent of NASA mission control. James Crede, a sandy-haired college student, sits at one of the 120 computer terminals that cover the studio floor (there is room for an additional 120) taking orders. Within minutes he answers calls from California, Pennsylvania, Illinois and Michigan. To order, customers merely pick up the telephone and dial the "800" telephone number flashed across

The windup . . . and the pitch: On-air sales host Susan Jones offering "expendable cash" coupons, to the accompaniment of cowbells and applause.

HSN IS either a brave new world of merchandising, the last best hope of cable or a commercial nightmare. It may be all three.

their screens. HSN leases more than 400 WATS lines to handle incoming traffic.

Thanks in part to a powerful Burroughs A-15 computer system, placing an order takes only seconds. Crede types each customer's identification number into the computer. Instantly it responds with the customer's name, address and a brief description of the item currently for sale. After a few more questions, the order is dispatched to one of HSN's warehouses, where it is processed and shipped by United Parcel Service within 48 hours.

HSN's appeal cuts across all demographic lines, and there is no typical customer profile. "Everybody loves a bargain," says Keith Halford, a former HSN vice president of marketing, who left the company in June to join a competing shopper channel in Philadelphia. "We're more interested in the cable companies as a universe than the demographics of the buyers." The service is as popular in New York City as in Keokuk, Iowa. The average customer orders HSN wares 15 times a year. HSN provides its bargains by purchasing surplus goods and reselling them at discount prices.

Everything surrounding the HSN format has been carefully researched to cater to the dark desire found in the soul of all consumers—the impulse purchase—and to appeal to the broadest possible customer base. Viewers are intentionally left in the dark about what product will be featured next for sale. Halford calls it the "flea-market theory of buying."

"We never tell people what's coming up next," says Halford. "If we said auto tires are coming up next, anyone not interested in tires will tune out." HSN has taken this impulse-driven formula even further. Customers can buy a specific item only as long as it's featured on the tube. In a year, it will show 75,000 different products on the air; over the same period, it will turn over its inventory 35 times. On a typical day, it ships out 18,000 to 21,000 packages, filling five UPS trailer trucks.

Paxson had no idea he would set off a wave on Wall Street when he first got the idea of selling merchandise directly to the listeners of WWQT-AM in Clearwater in 1977. The late '70s were the dog years of AM radio, as advertisers and listeners were drawn to FM. After a particularly discouraging sales call one day, Paxson began to wonder if there wasn't a better way to make money in AM. By then he had acquired a partner, Roy Speer, a wealthy real estate developer and former Florida assistant attorney general. In 1977 they arrived at a solution. If they couldn't find advertisers willing to buy air time, they would sell their own merchandise directly to the audience. Paxson himself went on radio to sell housewares and electronic products that he bought cheaply from overstocked merchants. Listeners came to the studio to pick up their purchases. The program slowly gained a loyal following.

By that time Paxson, mindful that a picture is worth a thousand words, had already determined that home-shopping programming belonged on television. Cable looked like the best candidate; it was cheaper than broadcasting and offered the additional advantage of practically no federal regulation.

What was then the Home Shopping Channel made its debut July 1, 1982, over the VisionCable system in Clearwater. Speer provided most of the seed money out of his own family trust, and that was paid back quickly after the cash began to flow in. Today, the 53-year-old Speer holds the title of chairman of HSN, keeping a low profile but serving as the financial mind behind the company.

The switch to television brought explosive growth. Over the next three years HSN reached into 125,000 cable homes, achieving an amazing 75 percent penetration in the Clearwater/Tampa/St. Petersburg market. Paxson now realizes that his own timetable has been too conservative all along. The first national endeavor, HSN, began telecasting July 1, 1985. A second national channel, HSN 2, was launched on March 1 this year. Called "Innovations in Living," HSN 2 carries a slightly tonier line of merchandise and is offered only to cable operators who already carry the original show. HSN leases space on RCA's Satcom III-R and Satcom IV to deliver its signal to 325 cable systems in all 50 states, Puerto Rico and Canada. The company employs 1,200 people, up from 306 a year ago.

But before HSN can peddle its wares to the cable audience, it has to convince system operators to carry its signal. Rather than adhere to the standard practice, under which cable operators pay programmers, HSN pays its carriers a commission of up to 5 percent on all merchandise sold in their franchise areas—even on sales to satellite dish owners.

Many earlier attempts to marry cable and home shopping failed. The reason for HSN's success goes far beyond its bargains and quirky appeal. Social trends, such as the increasing number of women who have entered the work force and have less time to shop, and a decade-long boom in direct marketing by catalog and phone, have contributed to the company's success. And the proliferation of discount chains has made shoppers price con-

WITH TCI'S deep pockets and market clout, its challenge to HSN could bring on the media battle of the decade.

scious and appreciative of HSN's values.

In particular, Paxson's formula avoided three mistakes made by earlier attempts. First, HSN offered viewers obvious discounts on its merchandise, providing a strong incentive to buy. Second, HSN kept the transaction on the human level, even if the salesman was in a studio across the country. And HSN places heavy emphasis upon instant gratification for the customer—quick phone service and guaranteed delivery within ten days.

But will home shopping channels someday replace Macy's and Sears? Probably not. "HSN is offering limited quantities of deeply discounted goods, and there's an element of potluck in watching these channels," says analyst Gerbrandt. "Until the development of truly interactive cable that will allow a store to put its catalog on video, cable shoppers will not replace Sears."

Paxson's decision to go public reflected an important choice about the kind of company he envisioned. "We eventually want to deal with cable operators not merely on the basis of commissions, but of equity," he says. The company's original financial adviser was Drexel Burnham, but when it came time to go to the market, HSN moved its business over to Merrill Lynch Capital Markets.

Paxson expected the 2.3 million shares offered by a consortium of underwriters and selling stockholders to be received well. He originally planned to go public in the range of $14 to $16 per share. Merrill Lynch upped the price to $18 before it hit the market May 13. Nobody foresaw what happened next: HSN closed its first day of trading at $42 a share and ended the week at $53.25. Since then, it has closed as high as $108. The stock has been hailed as the hottest new issue of the year by *Barron's*.

Paxson, who had privately expected a price of $35 a share, was as surprised as anyone by the stampede. Second-guessers snickered at Merrill Lynch's apparent low-balling of the stock and wondered why the house hadn't offered it at a higher price. Paxson, however, remains loyal to Merrill Lynch.

Even assuming HSN earns its projected $1.20 per share after taxes, however, some analysts say the stock is vastly overpriced. "Look at it on its fundamentals and it's a $23 stock if you apply traditional multiples," says one analyst. "Only 10 percent of shares are outstanding and it's very thinly traded. That makes it very volatile."

On paper, Paxson and Speer have made fortunes, with a combined net worth of $930 million. Paxson retains control of nearly 4.4 million shares, or 32 percent of HSN, with a market value of some $376 million. Speer retains 46 percent, or more than 6.6 million shares (including four million shares of Class B stock) with a paper value of at least $551 million. As long as this much stock remains in the hands of Paxson and Speer, HSN is safe from hostile takeover attempts. In addition to the value of his stock, Paxson receives $215,000 annually as HSN's president. Speer gets $250,000 as chairman.

Imitation may be the sincerest form of flattery, but in business it can be lethal. Companies as diverse as Horn & Hardart and the Financial News Network have

$1 million worth of advertising couldn't have done. He said, 'This is a good idea.' "

Nonetheless, Paxson ordered that HSN be withdrawn from the handful of TCI systems that carried it after TCI's Pittsburgh affiliate dropped the channel in favor of its parent company's new Cable Value Network.

One impediment faced by both HSN and TCI is the present channel crunch in cable. Many systems are filled to capacity. This, rather than public demand, will ultimately limit the number of players in the home shopping field.

The challenge facing HSN is not merely to continue signing new cable systems, however, but to convert cable viewers into inveterate shop-at-home customers. Halford predicts that HSN could become

Is America big enough for two TV bargain stores? Technicians crank up the competition, Cable Value Network, which owner Tele-Communications Inc. and partners say will reach 12 million homes this fall.

become interested in the shopping field, but the most serious threat comes from Tele-Communications Inc. of Denver. TCI and its partners have joined hands with C.O.M.B. Co., a Minneapolis-based discount retailer owned in part by financier Irwin Jacobs. Their Cable Value Network is already available to more than two million homes, and TCI vice president Peter Barton predicts that it will reach 12 million households by this fall. TCI's deep pockets and enormous market reach—its systems already cover more than 10 percent of the country's 36 million cable homes—give it a huge captive market.

Paxson says he has no fears of being locked out by TCI. "There's more than enough room in America for both of us." Indeed, many MSOs will be inclined to sign HSN, Paxson insists, out of fear that TCI might become the AT&T of cable.

Says Paxson, "Malone did for us what

a $1.75 billion company by achieving 25 percent purchaser penetration of the five million households that already receive it.

In the lobby outside Paxson's office is a giant mural that takes up an entire wall, which Paxson conceived and commissioned himself. It pictures the earth floating in space. High overhead, beaming down the Home Shopping Network to millions of American households, are three satellites.

Three satellites? What's the Ku-band satellite doing up there? he is asked.

Paxson mumbles something about a "five-year plan," and then says that he can't say any more. He heads back toward his office. The man who combined two of America's favorite pastimes—watching television and shopping—disappears through the door with a mysterious grin. He looks like he's trying to sell something again. ●

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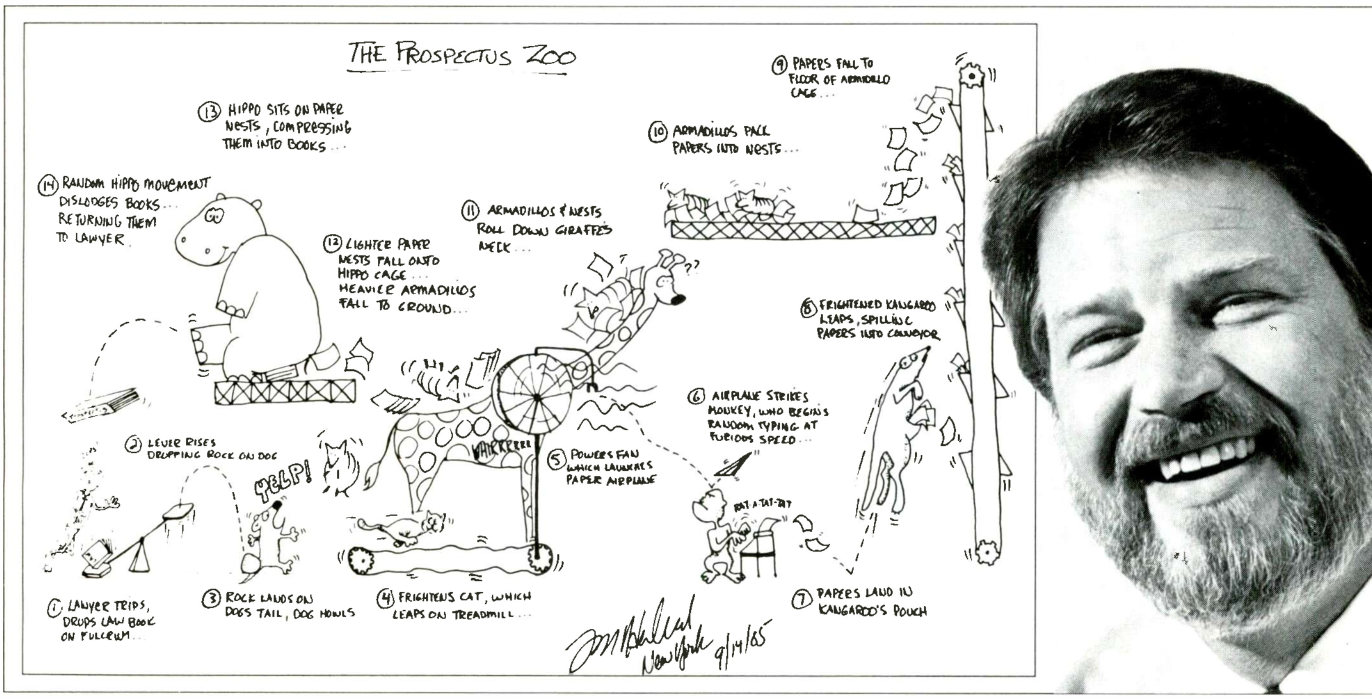
McStations

From Nashville to Norfolk to New Orleans, Tim McDonald's TVX group stamps out UHF stations with a cookie cutter

by Ben Yagoda



TVX president McDonald and one of his cartoon creations: While meeting with Salomon Brothers about taking the company public, McDonald doodled.

Here's the Lexicon 1200C . . . Here's a Rank ADS 1 . . . We've got 26 BVW 10s, six BVW 40s and four 2000s.

A technical man at WNOL, Channel 38 in New Orleans, is taking Tim McDonald on a tour of the station, and he's getting it all wrong. He keeps bragging about all the high-tech goodies, thinking that he's impressing the new boss. What he doesn't realize is that McDonald is the kind of boss who keeps count of every paper clip, and that his teeth are clenching at the sight of each state-of-the-art thingamabob.

Finally, next to the $16,000 Kodak copying machine—"as big as your car" is how McDonald will describe it later—the president and chief executive officer of the TVX Broadcast Group Inc., which just two days earlier closed on its purchase of WNOL, shows his true colors. He's standing in what is a kind of interior courtyard at the station, adjoined by all the departments. Some people might see it as a useful common room. Not McDonald. He forms a tiny square with his left foot, then looks up. "This is costing me three dollars," he says, "and it's not being used for anything."

The WNOL employees within earshot look at McDonald blankly. They're used to thinking of the TV business—even the business of independent UHF stations, with their old movies and reruns—as a glamorous endeavor, where spacious, tasteful offices and fancy machines come with the territory. They'll learn that this is not the way TVX thinks of the business.

Under the leadership of McDonald, a bearded native Missourian who looks like a cross between Kenny Rogers and Kris Kristofferson, and sounds the part, TVX has become a major force—perhaps *the* major force—in mid-market independent television. In 1979, the company's first year of existence, it consisted of a station in Norfolk that had yet to go on the air. McDonald—who, at 36, had already worked for television stations in six different markets, taking time off for two years on the professional rodeo circuit—was hired as president and given a mandate to expand. He has carried it out with a vengeance, turning the tiny operation into a publicly traded corporation and acquiring an astonishing nine more stations or licenses in seven years, all of them independent "U"s. (It sold one station last year for a $10 million profit and is currently shopping another.)

This is more independents than any other company owns—more than Tribune, more than Metromedia, more than Taft. True, TVX's stations are not found in top twenty markets, being located in Winston-Salem/Greensboro (now up for sale), Raleigh/Durham, Nashville, Mem-

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PHOTOGRAPHY BY BUD LEE

'I HATE when I read about a general manager saying he's just paid a record price for *Happy Days*,' says McDonald. 'He's bragging that the distribution industry has just gotten in his pants.'

TVX chairman Loving: He haunted industry trade shows and conventions for nearly a year in search of the right man, and the one name that kept turning up—McDonald—wouldn't even return his phone call.

phis, New Orleans, Norfolk, Little Rock, San Antonio and Buffalo. Still, its stations were collectively appraised by Salomon Brothers as having a breakup value of $140 million—not bad for a company that started on a $600,000 bank loan and an investment of $5,300 by each of 14 investors. Moreover, most of this growth took place in the early '80s, an era of high interest rates, high inflation, *very* high program costs and what TVX executive vice president John Trinder calls "the glory-puff days of cable," the moment in history when it seemed that the little box with all the numbers on top of the TV set was going to leave in the dust not just the independents, but all of broadcast TV.

TVX overcame these obstacles, Tim McDonald keeps saying, by watching every penny, and it's not going to stop now. "There are 57 employees here," he says from the WNOL general manager's office, vacant because the general manager has just been let go. "Now, if you came from a station with 100 employees, you'd say, 'How can they get by with so few?' All our stations have exactly 37 employees—we've found over the years that that's how many we need—so we come in here and say, 'How can they have so many?' When the new GM arrives, I'm going to sit down with him and the staffing chart we use for every station and have him put a name in every space.

"This station is two years old, and it was doing very well. But they spent too much money, not only on equipment, but on programming. When I came in I renegotiated every contract on the books. I told the film companies, 'You've been too greedy. You're like a bartender—you have a responsibility to send the customers home sober.' They appreciated what I was saying. Each one agreed to lower his fees or take back contracts we didn't want, and we reduced the film payables by $800,000 a year," McDonald says.

"It's the little things, too. When I came here, I found that the station was paying $90 a month for parking spots for executives, when everybody else parked a block away for free. That's not a need, that's a want. The same with the tape library. I noticed that every tape box has a fancy sticker with 'NOL/38' written on it. This ain't IBM—all our other stations use plain white stickers. We had a staff meeting yesterday and nobody could tell me why we needed fancy stickers. Somebody said to prevent thefts. I said, 'You think if somebody wants to steal a tape a sticker's going to stop them?' "

In one corner of the GM's office hangs a garment bag—not a bad symbol for McDonald's lifestyle of late. Over the last year—a period when TVX has not only added five stations but gone public—he estimates that he's spent one day a week at home. Of course, for the five years before that, he only averaged two.

Tomorrow he's off to Little Rock, where yet another TVX station is slated to go on the air in a month's time. Then it's back to New Orleans, home for his weekly day, then a week in New York for a series of meetings.

The seeds of TVX were planted a decade ago, when a group of southeast Virginians decided there was room for another television station in the Norfolk-Virginia Beach market, a group of five adjoining cities collectively referred to as Tidewater. The broadcast situation there at the time was not unusual for a market of that size (just over a million people): three network affiliates, a public station and one independent, WYAH, which was owned by the Christian Broadcasting Network and consisted heavily of religious programming.

The group acquired an FCC license for Channel 33 and set about looking for a staff. Gene Loving, a Norfolk broadcast veteran who is now chairman of the board of TVX, headed the recruitment effort. For sales manager of the station, he hired John Trinder, a Bostonian who had settled in Tidewater several years before.

Finding a programmer—the critical job at an independent because 18 hours of airtime a day have to be filled without bankrupting the station—was more difficult. This was for the simple reason that, as Loving points out, "in '78 or '79, almost every independent was group-owned. Nobody had experience buying for just one station." He haunted the National Association of Television Program Executives and other conventions for almost a year, and one name kept popping up:

Tim McDonald. Though only in his thirties, McDonald was already a broadcast veteran, having directed programming and promotion for independent stations in San Francisco, Boston, New York and Washington. He had a lofty reputation in the field; some people even called him "a programming genius."

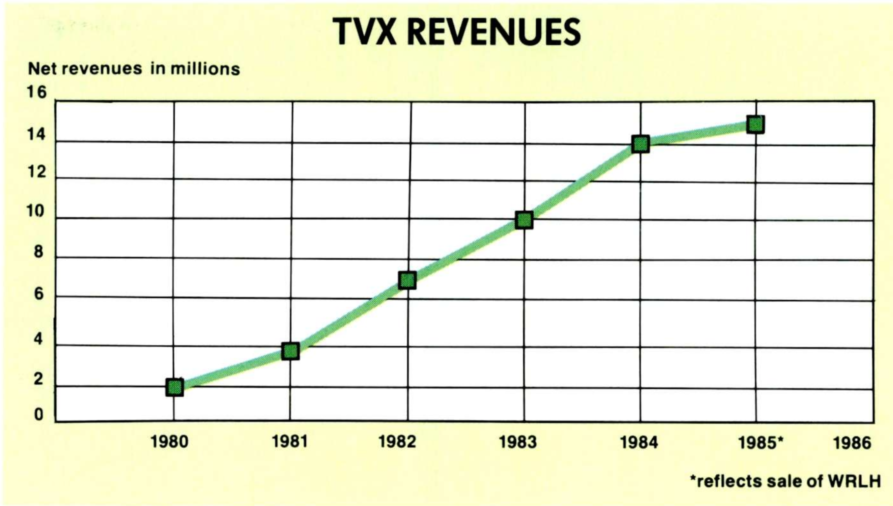
But it was a tough sell for Loving; McDonald didn't even return his first phone call. What finally convinced him in 1979 to leave the major market of Washington, D.C. (and his new $60,000-a-year job as vice president and director of broadcasting for WTTG, Metromedia's Washington station), for a start-up station in the minor market of Norfolk was that the WTVZ investors eventually said yes to everything he asked for. He would be not merely programming director and general manager of WTVZ but also president of the company, and, most significantly, the investors would commit to going along with his expansion plans.

McDonald, Trinder, Loving and 11 others each put in $5,300. With that investment, and a $600,000 loan, Channel 33 went on the air at 6 A.M., September 24, 1979. The first image aired was that of Junior Suttle, a local celebrity, doing a commercial for truck stops.

McDonald was true to his word. From 1981 on, he saw to it that TVX added a station a year, taking over an existing operation in Winston-Salem and acquiring licenses to build new ones in Memphis, Nashville and Richmond. "We saw a window of opportunity," Tim McDonald says. "We thought that in the next ten years there would be two independents in all 20-through-50 markets, and that this was the moment when revenues had grown and costs had come down to such an extent that it was possible to make money."

McDonald, Loving and Trinder were careful shoppers. They looked for stations where inexperienced broadcasters had gotten in over their heads and so were willing to sell their stations or licenses for rock-bottom prices—the lowest being Richmond, where a construction permit was purchased for $96,000.

The other factor in the selection equation was a quality peculiar to broadcast properties: Even if their performance (i.e., rating and share) remains constant, their advertising rates and therefore profits and value fluctuate according to the size of the market in which they are located. Even if they're getting a constant x percent of a pie, they get a bigger slice of pie as the pie gets bigger. TVX's acquisitions and sign-ons were all in Sunbelt cities, whose populations could be expected to—and did in fact—rise.



FERN LOGAN

As each new station was added to the roster, it was developed according to what was to become the TVX formula. McDonald calls it "the cookie-cutter approach." This applies to staffing (promotion from within if possible), budgeting (always zero-based, so that general managers justify expenses every year) and even station design. All new TVX stations are built on the model of the Norfolk flagship, a no-frills operation consisting of precisely 12,000 square feet and furnished with pawnshop bookcases and other items gotten in trade deals.

Programming, too, is done via the cookie cutter. TVX stations run a fairly typical independent-station blend of movies and off-network sitcom reruns, with little local programming or news and more sports than average. "We consider sports very important," says McDonald, who buys almost all the TVX programming. "Every one of our stations carries major league baseball; every one carried the Goodwill Games in July. When I look at prime time sports programming, I look at two things. First, is it major? To me, it's not sports when you have a strong man pushing a refrigerator up a hill. Second, is it local? There's no substitute for a local audience."

By buying on a group basis, McDonald is able to get product for highly favorable rates. He is also a master negotiator. His favored persona is neo-good-old-boy: affable, down-home, but extremely sharp. The combination is potent when it comes to cutting deals. Says Jim Ricks, southern sales manager for Orion Television, who has sold to McDonald since WTVZ went on the air, "He's a lot of fun to deal with. You know you're in for a battle."

McDonald is also an inveterate doodler who, rather than take notes during a meeting, describes the proceedings in cartoon form. While conferring with investment bankers at Salomon Brothers, McDonald rendered the process of taking his company public in a series of cartoons he called The Prospectus Zoo, which so charmed the bankers that they later framed the work and presented it to him. It now hangs in his office.

Perhaps what makes McDonald such a good shopper is the palpable pleasure he gets from a favorable deal. "I hate it when I pick up a magazine and read about a New York general manager saying that he's just paid a record price for *Happy Days*," he says. "He was bragging that the distribution industry had gotten into his pants. When there's a buy at 40 percent of the asking price, you don't read about it in the trades. Nobody tells 'em."

One can achieve further insight into McDonald's negotiating style by considering that his father is a professional poker player. "My daddy used to say, 'The object of poker is not winning hands, it's winning money,' " says McDonald. "But at a TV station you're in the business of selling ads, so I'd be willing to pay a little more if I get more showings and more inventory out of it. At one of my stations I've shown *Good Times* reruns 18 times, and they still do well. I just bought a film package and doubled the runs from five to ten. If there are 48 selling units per showing, I just created 240 units.

"I was doing some consulting work for a station we later bought, and I cut a pretty good deal with the supplier. The salesman left to call his office and I turned to the GM and said, 'When he comes back, he's going to say two words, I'm going to say "No," and I'll earn my $50,000 fee two times over.'

"When he came back we filled out the

McDonald, the master negotiator, recalls his rodeo days: His favored persona is neo-good-old-boy—affable, down-home, but extremely sharp—a potent combination when it comes to cutting deals.

TVX IS a gamble because smallish, independent stations are risky investments. But take care before betting against Tim McDonald. He can be relentless.

contract. After a while he looked up and said, 'Normal booking?' That meant we'd pay the distributor a couple hundred dollars every time we ran the film.

"I said, 'No.' Now the salesman had just made a deal, and he didn't want to lose it over booking costs. So he said all right. It worked out that that saved the station $100,000."

Besides TVX's know-how, the company's stations were beneficiaries of the nationwide independent TV boom that Tim McDonald had foreseen. There were a number of reasons for the boom. One was a whole new catalogue of syndicated programming sources. Another was a dramatic improvement in the UHF signal, which is used by the vast majority of independent stations, and which had long been thought of in terms that could also describe a koala bear—fuzzy, unfamiliar and distant. But thanks to better transmitter and tuning-receiver quality, to such innovations as circular polarization (which puts extra power in both the horizontal and vertical plane), and to cable TV, the UHF band became virtually equivalent with VHF.

Whatever the cause of the boom, the results were clear. From 1975 to 1985, the national viewership of independents rose from 10 percent to 21 percent; in just three years, from 1983 to 1985, the number of stations jumped from 120 to 283. It had, to some extent, even become a glamour business, as witness the sale last year of KTLA in Los Angeles to Tribune Broadcasting for $510 million, and Rupert Murdoch's purchase of six Metromedia stations for $1.6 billion. These, of course, were VHF stations in top ten markets, but even in the mid-sized metropolises TVX favored, independents were booming. The average annual capital appreciation for independents traded more than once now exceeds 30 percent.

For all that, as 1985 approached, TVX was in a difficult position. Despite a 69 percent growth in revenues (annualized over the previous five years)—the highest in the entire broadcast industry, according to a Veronis, Suhler and Associates report—the company had never turned a profit, posting deficits that reached a high of $5.6 million in 1984. This was a function not of poor performance but of all the acquisitions, which were highly leveraged. Still, it could not be expected to please the investors. Moreover, McDonald, Loving and Trinder were well aware that partly because of programming costs, which had nearly doubled since 1980, and partly because of what may have been an overbuilding of independent stations, broadcast industry executives and analysts were widely predicting an independent shake-out.

So the TVX troika made a move. They sold the Richmond station for $13.7 million—an amount that was a million more than McDonald expected and that represented a profit of $10 million over what he had spent on buying the license and building the station. Four months later, TVX went public, netting $19.8 million from the sale of two million shares of common stock. (The stock is traded over the counter, under the symbol TVXG on the NASDAQ.)

For the first time, McDonald and his colleagues had real, cash money. And they used it, retiring $14.8 million of debt and going on a buying spree. An unbelievable buying spree. Between May 1985 and February 1986, TVX bought construction permits for stations in Little Rock and Buffalo, bought stations in Raleigh/Durham and New Orleans and bought a 49 percent interest (with options on 31 percent more) of a station now operating in San Antonio.

According to FCC regulations, TVX must sell its Winston-Salem station because it overlaps the Raleigh signal. Even so, the eight stations it will have on the air when Buffalo signs on next spring will reach 6 percent of all U.S. households (tripling the company's reach last year) and will make TVX the largest single buyer of program hours in the country.

Gene Loving and John Trinder are major players in TVX—overseeing corporate affairs and sales, respectively, and taking part in all major decisions—but the company is clearly Tim McDonald's show. McDonald started out in the broadcasting business at age 15, when he left the Missouri farm where he was raised and took the bus to Springfield. "The bus driver left me off across the street from KYTV," McDonald says, "and I got a job. If he'd dropped me a mile down the road, I'd be a short order cook today."

The story, like many spun by McDonald, may be apocryphal. But it does its job. And, as he says, "When you're a bullshitter, it's hard to stop."

It's indisputable that a couple of years later he left for Oklahoma in search of his father, who'd left home when Tim was a boy. He found him in Tulsa, making his living playing poker. McDonald thereupon entered the professional rodeo circuit. He did well, but quit after a couple of years when he was badly injured at Madison Square Garden.

He decided to go back to broadcasting in 1968 at KNEW, a new Metromedia independent in San Francisco. Within a year, KNEW gave its license away to a public station, but McDonald was on his way. During the '70s, he had a meteoric rise within Metromedia, eventually leaving for a job as programming director of Milton Grant's WDCA in Bethesda, Md. He had just returned to Metromedia as director of broadcasting at WTTG, when TVX found him.

If TVX *is* McDonald, it follows that one's opinion of TVX will closely follow one's opinion of its president. A survey of some of the small community of men and women who follow the independent broadcasting business reveals a fairly even split on this score. Those that think that the company is still too heavily leveraged—McDonald estimates that it will owe $15 million at the end of 1986—and that the oft-predicted independent shake-out will be vigorous, are bearish.

"They are struggling," says analyst Ed Atorino of Smith Barney Harris Upham. "They're not making money, which tells me their game plan still isn't working."

Ralph Becker, president of Northeast Television Stations and a TVX competitor, tends to agree. "The situation for independents is bad," he says. "An enormous number of second stations are not doing well. In certain markets, even the senior independent is having difficulty."

On the other hand, as Becker points out, "Tim McDonald has a very convincing story." If you believe it, then you are bullish. One analyst who does is Rich McDonald (no relation) of First Boston. "I think they are coming along to the stage where by 1987-88 you can see things swinging dramatically in their favor, and they will be in pretty good shape," he recently opined.

Down in Virginia Beach, of course, it's thumbs up all the way. It's been quiet today. "We've only been offered three stations," says McDonald. He looks almost embarrassed to be sitting in an office this big. He explains that in TVX's previous quarters, his office was smaller than any of his stations' general managers'; the company moved only because it got a deal for six months' free rent in this new development. All told, only 12 people work at corporate headquarters, and none of them—not even McDonald—has his own secretary.

When it comes to the future of TVX, McDonald has facts to back up his enthusiasm. The four TVX stations that were on the air in 1985, he says, showed a 23 percent revenue increase in the first third of 1986; ratings increases in the 6-8 P.M. time period, where an independent earns a third or more of its revenue, ranged from 33 percent to 167 percent (in Memphis, where the redoubtable *Gimme a Break* continues to perform splendidly). And there's no reason to think the new acquisitions won't do as well.

The outlook is good in terms of costs, too. McDonald says he has bought the major product for all his stations through 1990—making programming, supposedly the most uncontrollable of expenses, virtually a fixed cost. And, when all eight of TVX's stations are on the air, McDonald's block-buying power will help keep future prices down. Taking everything into account, McDonald says, TVX will have positive cash flow by 1988.

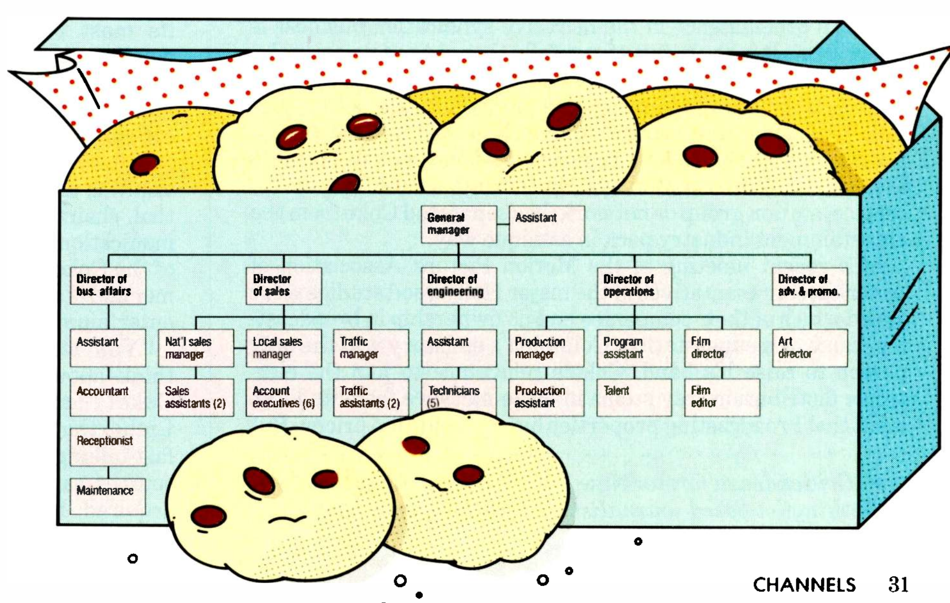
The company line notwithstanding, TVX is a gamble. There's a reason why it's the only company doing what it's doing: Smallish independent stations are among the riskiest investments in the industry. But those betting against Tim McDonald would be well advised to take care. He has poker-playing blood, and when he sets his mind against an opponent—a film salesman or a balance sheet written in red—he can be relentless.

"I once watched my father in a poker tournament in New York," he says between bites of a chocolate chip cookie. "He played against another guy for 16 hours, and finally they called a break to get something to eat.

"As we walked out, he said to me, 'I've got that son of a bitch beat.' I said, 'What? I've been there the whole time and neither of you ever flinched.'

"He said, 'You ain't been watchin'.' " ●

TVX's Cookie-Cutter Approach: 37 Employees Per Station



ELLIOT BERGMAN

CHANNELS OF COMMUNICATIONS

Coke's Entertainment Formula

by Ann Crittenden

IN A FAMOUS SCENE from *Dr. Strangelove*, the classic 1960s farce, a frantic officer needs to call the President with the code that will abort a nuclear attack on Russia. He begs a hard-assed major to blast the lock off a Coke machine to get change, and the major, aghast, says that would be attacking property of The Coca-Cola Company.

Today, *Dr. Strangelove* itself is the property of The Coca-Cola Company, along with *On the Waterfront, Easy Rider, The Guns of Navarone, All in the Family, Maude, The Jeffersons* and half of Columbia Pictures' old Burbank studios, nestled in the shadow of the Hollywood Hills. The fact is that much of popular taste, in more ways than one, is now under the aegis of a conservative $8 billion multinational corporation run out of Atlanta by an émigré Cuban.

Turn around anywhere in the entertainment business and you're likely to bump into Coke. In the four years since it purchased Columbia Pictures Industries, the giant soft-drink company has emerged not just as a major producer of motion pictures, but as the largest syndicator of television shows in the country as well.

Coke's preeminence in the lucrative syndication business is no accident. It is the result of carefully thought-out decisions by Coca-Cola and Columbia executives to buy, tie up or produce as much quality television programming as possible, and to use Coke's considerable marketing muscle to sell it. That bet on programming, and Coke's repeated decisions not to buy into the television distribution system through a cable or pay-TV service, station group or network, has separated Coke from the entertainment industry pack in a unique way.

At a recent meeting of the Motion Picture Association of America, representatives of the major Hollywood studios were asked which of their companies had no ownership in broadcasting, cable or a superstation. Columbia's emissary was the only person to raise his hand. Coke's reluctance to join the electronic distribution fray stems in large measure from its judgment that broadcasting properties have become too pricey. But despite the company's having turned down MCA's offer to jointly purchase WOR-TV across the river from New York City for $387 million, the impression remains that Coke hasn't ruled out a broadcasting acquisition altogether, and that its top executives are divided about the wisdom of their position.

But not about programming. At the television industry's trade show in New Orleans last fall, Coke came out of the closet with its most visible presence yet, handing out T-shirts, putting six-packs outside the hotel doors of attendees and giving away 36,000 cans of soft drinks at one brief gala bash. The aggressive promotion was the idea of Gary Lieberthal, chairman of Embassy Communications, which became part of the Coke empire late last summer and is now its most profitable entertainment unit.

> Its financing is arranged so imaginatively that it can't take a bath on any single production.

Right: Fay Vincent, president and chief financial architect of Coke's Entertainment Division

"You want to know what I think about being in bed with Coke?" asks the 40-year-old Lieberthal, a cheerful, cocky, fast-talking personification of the show-biz executive who sources say Coke had planned to sack when Embassy was acquired. Lieberthal persuaded Coke and Columbia management otherwise, and recently the company elevated him to

Ann Crittenden, a former New York Times *financial writer, is a Washington-based journalist now working on a book about the sanctuary movement.*

PHOTOGRAPHS BY EDDIE ADAMS


The New York Times
OPINION

chief executive of the production and distribution pieces of Embassy. "Here's what I think," he says, whipping open the door of his office refrigerator to reveal stacks of Coke. "We're already the largest distributor of situation comedy in the business, and probably the most profitable, and now we have a big, big business partner. I can't imagine not taking advantage of that. I want people to see a 400-pound gorilla in a Coca-Cola T-shirt when they see Gary Lieberthal."

A few miles away from Lieberthal's Century City suite, Herman Rush, an equally self-confident, gray-haired, 35-year veteran of the television business, takes a different line. Rush, president of the Columbia Television Group—and "smart, smart, smart," in the opinion of one Hollywood scriptwriter—likes the fact that his office on the old Burbank lot is a long way from Coke headquarters in Atlanta. "I don't hear from anybody at Coke," he says. "I see them maybe once a year, at an annual management seminar."

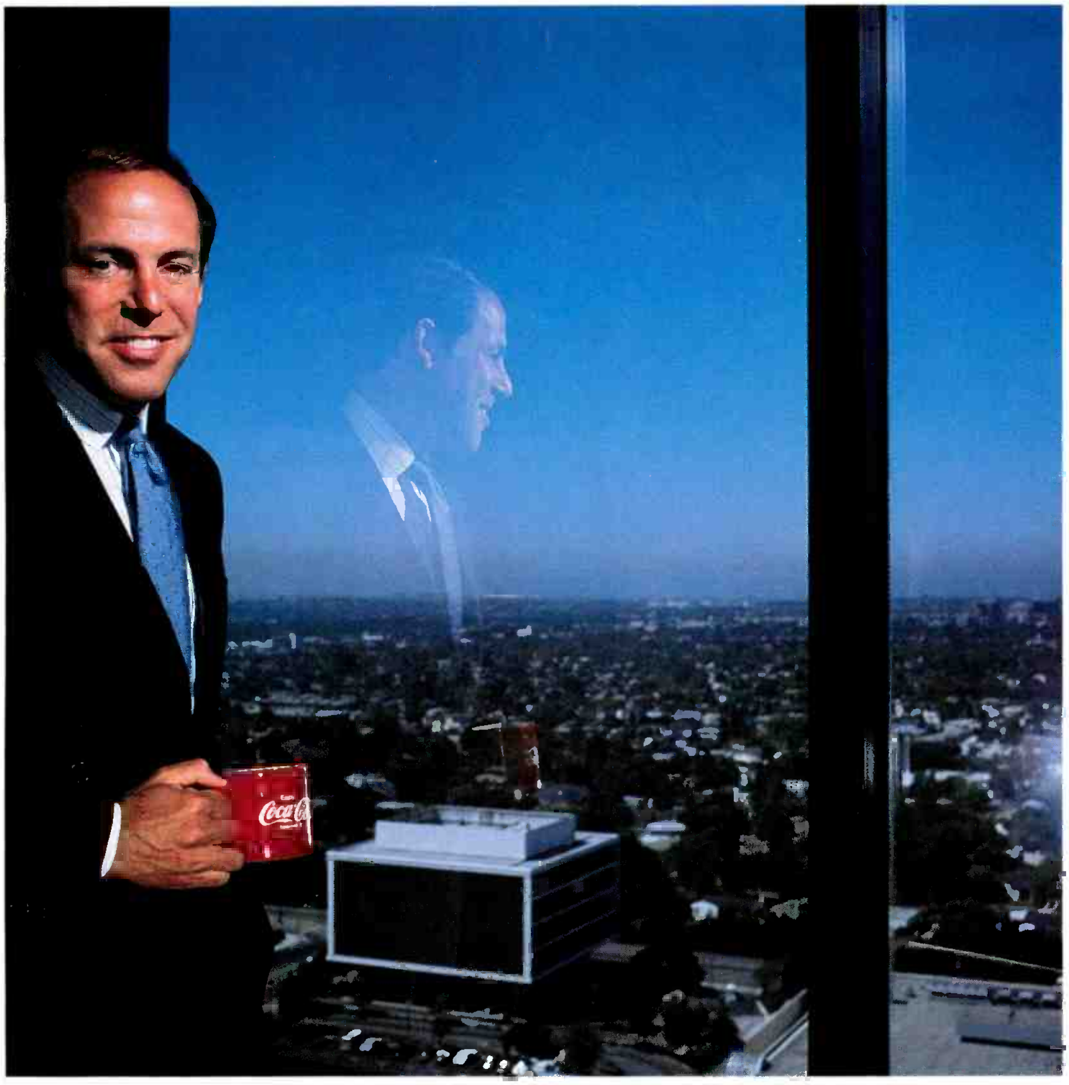
But Rush acknowledges that being a part of Coke has made a difference in the way Columbia Television operates. "We have a great sense of security," he explains, like a woman who is describing her very successful second husband. "For example, say we want to acquire *Bloopers, Bleepers and Practical Jokes* for syndication. There are 60 episodes, and we can just decide to go get 'em. Now we can make $20 or $30 million deals out of our own money."

The emphasis on programming, backed by the deep pockets of the world's largest purveyor of sweetened, colored water, has clearly helped Columbia climb to more profitable heights. According to Coke's calculations, Columbia made more money last year in motion pictures and television than any other company in the country, edging out rivals like Warner Communications and MCA/Universal. In 1985, Coke's entertainment business generated $161 million in profits, or 15 percent of the earnings of the entire company, and in 1986, Coke predicts that entertainment earnings will climb to $200 million. When Coke acquired Columbia in 1982 for $752 million, the latter's annual earnings were $36 million, and Coke declared that its goal was to boost that to $300 million a year by 1990. To the surprise of many skeptics, those ambitions are well on the way toward realization, although others point out that the recent earnings gains are, by and large, the product of acquisitions, not operating improvements.

Coke's decision to follow the acquisition route grew out of an informal series of 1984 meetings in which Francis T. "Fay" Vincent Jr., president of Coca-Cola's Entertainment Business Sector, and top Coke management concluded that syndication was the company's best entertainment bet. An acquisition target list was then drawn up. Heading that list was Embassy Communications, but there were also Aaron Spelling's production company, Dick Clark Productions, Merv Griffin Enterprises and Reeves Communications.

Embassy owners Norman Lear and Jerry Perenchio were approached, as was Spelling, but the former were not yet ready to sell and the latter decided to take his company public instead. Then in October 1984, a shakeup at Home Box Office led to the departure of chairman Frank Biondi. Vincent moved quickly to bring Biondi on board at Coke as executive vice president of Coke's Entertainment Business Sector and deploy

MARK HANAUER



'I want people to see a 400-pound gorilla in a Coca-Cola T-shirt when they see Gary Lieberthal.'

Left: Lieberthal, chairman and chief executive officer of Coke's Embassy Communications

COKE'S ENTERTAINMENT BUSINESS generated $161 million in profits last year. The goal is to boost that to $300 million by 1990.

him as field general to spearhead Coke's acquisition campaign.

"Vincent said, 'Come help us make the molecule bigger,' meaning changing the size and shape of Columbia's entertainment business," says Biondi, the personable 41-year-old who had a reputation at Time Inc. as one who liked to paint with a broad brush and spend freely in the process.

At Columbia, he is known and respected for his thorough knowledge of the business. "Biondi works the circuit more than I do," says Vincent. "He's very active in the entertainment community; he knows the technology of the pay TV and cable business and is more of an entrepreneur than I am." Biondi is also well suited to the Coke/Columbia financial management mold. A Harvard MBA, he has had his own financial consulting firm and business positions with TelePrompter Corp. and Children's Television Workshop in New York.

An early Biondi project confirmed that demand for television programming would provide steady growth opportunities. He opened talks aimed at purchasing Reeves Communications Corp., independent producer of such shows as *Kate & Allie* and *Gimme a Break*, but as Reeves's price mounted, Columbia decided simply to give Reeves some $30 million in production money in exchange for a piece of distribution rights to its off-network series. In the summer of 1985, Columbia Television also bought the syndication rights to *Riptide* and *Hardcastle & McCormick*, the jewels of one of Hollywood's hottest producers, Steven J. Cannell.

Coke's big move, however, was the acquisition of Embassy, the hugely successful production and distribution company, which this year will probably make the single largest contribution to Columbia's profits. When Lear and Perenchio changed their minds and decided to sell, Coke agreed to buy the company for $485 million, a figure Vincent considers a bargain. [*Channels* is owned by C.C. Publishing, which is owned by Lear.] Running through the numbers, Vincent explains that Columbia immediately sold $265 million worth of Embassy's receivables. Columbia netted another $115 million from the sale of Embassy's motion picture business to Dino DeLaurentiis and plans to sell its home video division. Moreover, Embassy was valued without consideration of ongoing production, and *Who's the Boss?* and *227*, which were mere pilots at the time, have subsequently become popular hits. "It was a good deal for Columbia," says Vincent with a smile.

Early this year, two top executives of the William Morris Agency approached Biondi and told him that Merv Griffin Enterprises was available. Two and a half months later, Griffin, a "genius designer of game shows," in Vincent's words, sold his company to Columbia for about $200 million. That move provided Columbia with its first successful game shows, the money-minting *Wheel of Fortune* and *Jeopardy*. Now, both the Embassy and Merv Griffin operations report to Biondi.

Coke also purchased the remainder of the Walter Reade theater chain this year, bringing the bill for its year-long buying spree to more than $700 million.

These acquisitions were added to an empire that already included, among other properties, 42 percent of Tri-Star Pictures, another major film studio; Belvin-Mills Publishing Corp., an international music publisher; a joint venture with Bell & Howell to manufacture videocassettes; two television distribution companies—Colex Enterprises (a joint venture with LBS Communications) and Television Program Source.

This latest spurt of acquisitions was financed in part by transforming some of Columbia's financial assets into cash. First Coke converted into cash almost three-quarters of a billion dollars' worth of Columbia receivables—payments TV stations and networks owe for shows—to help finance the Embassy deal. And on the heels of that transaction, Coke used the $265 million from Embassy's receivables to help pay for Merv Griffin. Not bad, as financial strategies go, since it still leaves this particular corporate Cookie Monster with the wherewithal to keep fueling its appetite.

Former Home Box Office chief Biondi, who oversees Coke's Embassy and Merv Griffin operations, is currently searching for the next great entertainment market.

None of this activity was foreordained. When Coke chairman Roberto C. Goizueta declared in 1982 that he wanted the company's new entertainment sector to grow by 20 percent annually, the hoots could be heard from Hollywood to the Hudson. As it turns out, the Coke entertainment sector's profits have increased annually by 30 percent the past three years. But paradoxically, this enviable record owes more to Coke's sophisticated dealmaking and financial planning than to creativity or the ability to turn out a reliable stream of hit movies or prime time television series, the bases for future earnings. Until this summer's smash hit, *The Karate Kid, Part II*, the studio's last really big movies were *Ghostbusters* and *The Karate Kid* in 1984, projects developed under the reign of then studio chief Frank Price; last year all too many of Columbia's movies flitted briefly across theatrical screens and faded into the horizon, trailing fantails of red ink.

As for television, last season the networks canceled all four of Columbia's new prime time series. This fall, Columbia will have *The New Mike Hammer*, *Starman* and *Designing Women* in prime time and Embassy will have three shows: *Who's the Boss?*, *Facts of Life* and *227*, after losing *Silver Spoons* and *Diff'rent Strokes*. But that's not good enough for Goizueta. Asked recently if he was unhappy with the creative product currently flowing out of Columbia's studios, he replied, "Of course we are."

In the end, the credit and the blame for Columbia's performance comes to rest on the desk of Vincent, a big, heavyset man of Irish ancestry. "When people ask what Coke is doing in the entertainment business, they're talking about me," Vincent says in his typically blunt, straightforward manner.

Vincent, a devout Catholic and the son of a Yale football hero of the 1930s, adorns his midtown Manhattan office with pictures of his family and of his dad in football uniform. He himself played tackle and center at Williams College before being seriously injured in a four-story fall from a ledge outside his dormitory window, an accident which left him with a severe limp. (He had been locked out of his room as a prank.)

Vincent, 48, did go on to Yale Law School, and practiced in New York and Washington before becoming associate director of the division of corporate finance of the Securities and Exchange Commission. He had always assumed that after a brief sojourn at the S.E.C. he would resume the relatively quiet life of a private securities lawyer.

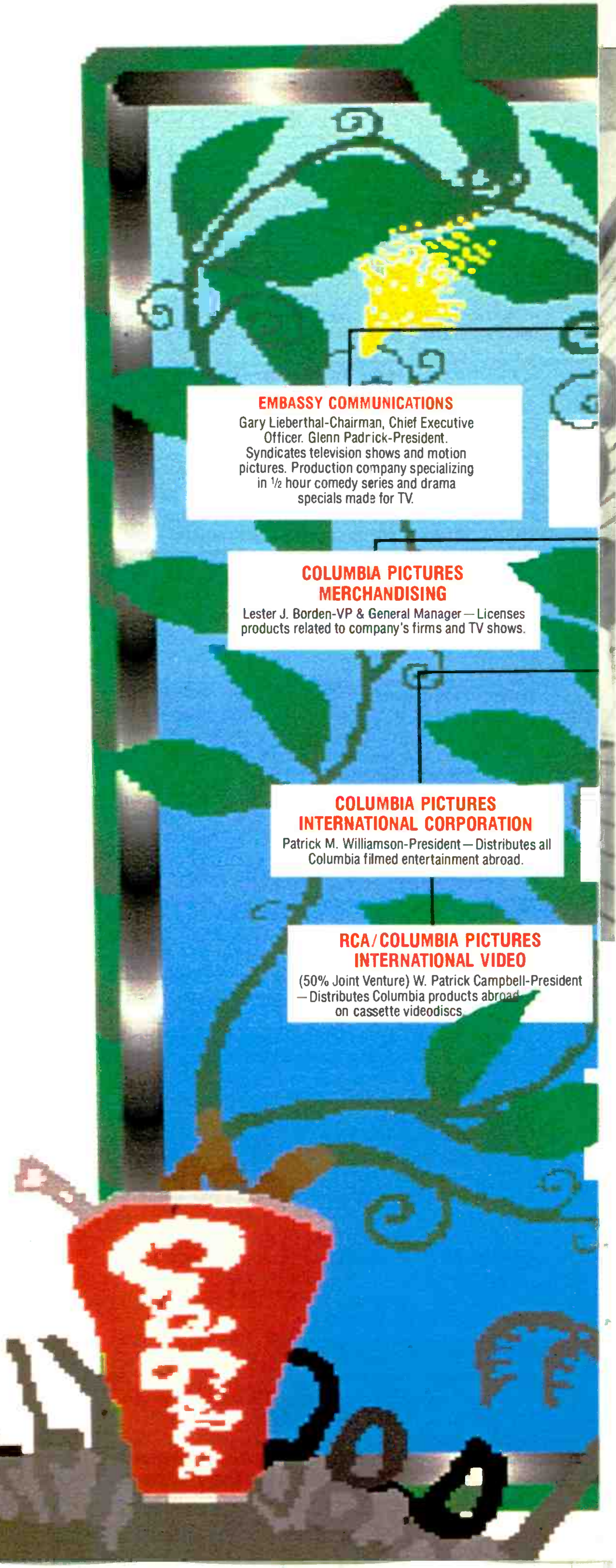
Those plans were disrupted in 1978 when Herbert Allen, president of the New York investment bank Allen & Company, which then controlled Columbia, persuaded Vincent to replace Alan Hirschfield as president and chief executive officer. Hirschfield, it will be remembered from David McClintick's best-selling book, *Indecent Exposure*, ran afoul of Allen and Columbia's board for wanting to purge David Begelman, the former studio head who admitted to the board that he was guilty of embezzlement and forgery.

Vincent had graduated from Williams two years ahead of Allen in 1960, in a class that included Richard C. Gallop, who is now president and chief operating officer of Columbia Pictures Industries and is in charge of Columbia Pictures and Columbia Television. Though not particularly close, Vincent and Allen stayed in touch over the years. Far from being put off by Vincent's total lack of experience in the movie business, Allen told colleagues that that was, in fact, his strength: "Nobody knows him. Nobody can lay a finger on him . . . We can put people around him who can help him learn the business."

Vincent's mandate was to clean up the company's image, but as soon as he arrived he found himself at the center of a bitter battle to prevent financier Kirk Kerkorian from acquiring the company in a hostile takeover. Gallop, a brusque, no-nonsense type with a short fuse, acted as outside counsel, and after Kerkorian had been beaten back in 1981, he did join Columbia.

In his first few years, Vincent focused on strengthening the television group. "When we came in, Columbia was very heavily a motion picture company," Vincent explains. "TV [Columbia Pictures Television] was making a $7 or $8 million operating profit. Last year it generated $80 or $90 million," he adds, thanks in large part to the syndication of such series as *Fan-*

COMPUTER GRAPHICS BY DIANA BRYAN



THE COKE MACHINE

THE COCA-COLA COMPANY
Roberto C. Goizueta-Chmn. Bd. of Directors & Chief Executive Officer; Donald P. Keough-President & Chief Operating Officer; Francis T. Vincent, Jr.-Executive VP

ENTERTAINMENT BUSINESS SECTOR
Francis T. Vincent, Jr.-President, CEO; Richard C. Gallop-Executive VP; Frank S. Biondi, Jr.-Executive VP; Peter C. Kells-Executive VP

TRI-STAR PICTURES INC.
Victor Kaufman-Chairman & CEO—Joint Venture with HBO (14%), COLUMBIA (43%) and PUBLIC (43%)*
*Does not include

MERV GRIFFIN ENTERPRISES
Merv Griffin-Chairman—Produces game shows primarily.

THE WALTER READE ORGANIZATION, INC.
Christopher W. Preuster-President—Chain of 11 theatrical screens.

COLUMBIA PICTURES INDUSTRIES, INC.
Francis T. Vincent, Jr.-Chairman & CEO; Richard C. Gallop-President & COO

COLUMBIA PICTURES PUBLICATIONS
Frank J. Hackinson-President—Prints sheet music.

COLUMBIA PICTURES
David Puttnam—Chairman & CEO
Stephen T. Sohmer—President & COO

COLUMBIA PICTURES MARKETING & DISTRIBUTING GROUP
Peter S. Sealey-President—Markets and distributes theatrical films.

COLUMBIA PICTURES MUSIC GROUP
No individual rep—Music Publishing.

COLUMBIA PICTURES TELEVISION GROUP
Herman Rush-President—Produces and syndicates television shows, series, movies-of-the-week, mini-series for network, first-run, and basic cable.

COLUMBIA PICTURES TELEVISION
Barbara Corday-President—Production company

COLUMBIA PICTURES DOMESTIC DISTRIBUTION
James R. Spitz-President

COLUMBIA PICTURES PAY CABLE & HOME ENTERTAINMENT GROUP
Chase Carey-President

COLUMBIA PICTURES TELEVISION DOMESTIC DISTRIBUTION
Robert King-President—Syndicates all Columbia and other programming domestically.

RCA/COLUMBIA PICTURES HOME VIDEO
(50% Joint Venture) Robert Blattner II-President—Distributes Columbia products domestically (plus some of Tri-Star's), theatrical & children's videos.

BELL & HOWELL/COLUMBIA PICTURES VIDEO SERVICES
(Joint Venture) Robert Pfannkuch, Chairman & CEO—Duplicates video cassettes with Columbia and Paramount.

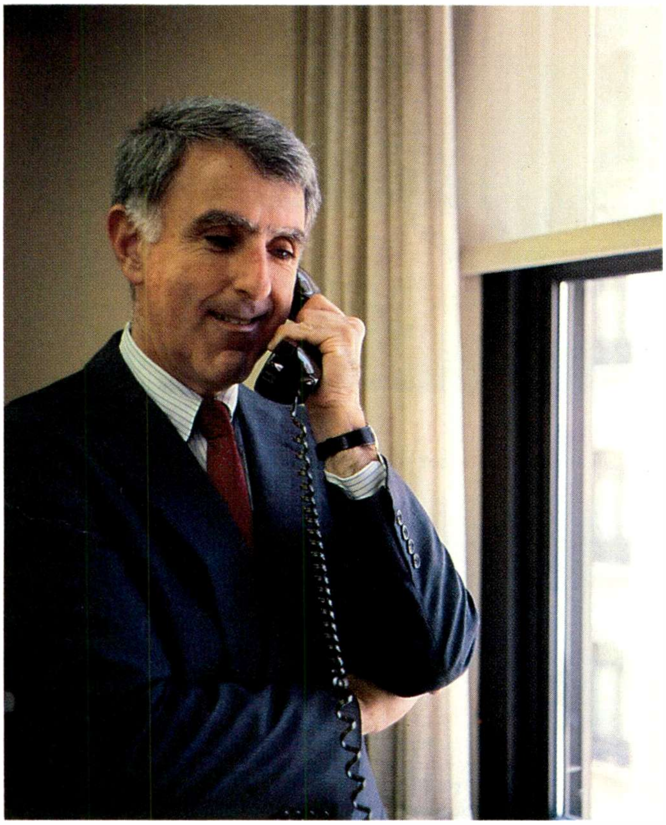
COLEX ENTERPRISES
(Joint venture with LBS COMMUNICATIONS, a subsidiary of Grey Advertising) Henry Siegel-LBS Chairman & President—Distributes on a barter basis some of Columbia's off-network series.

COLUMBIA PICTURES PAY TELEVISION & NON-THEATRICAL
No individual rep—Licenses filmed entertainment to Pay TV and colleges, airlines, etc.

THE TELEVISION PROGRAM SOURCE
—Produces & syndicates first-run game shows

C/L ENTERPRISES
Richard Rosen-VP, Pay Cable & First Run Syndication, CPT—Joint Venture with LBS communications that licenses to basic cable selected series from CPT's library.

FOR THREE YEARS STRAIGHT, television has been the most profitable unit of Coke's entertainment sector, largely because of syndication.



The short-fused Gallop, president and chief operating officer of Columbia Pictures Industries, oversees the movie and television divisions.

tasy Island, *Benson*, *T.J. Hooker* and *Ripley's Believe It or Not*, and, not least, to the contribution from Embassy.

Another of the new team's moves was an attempt to diversify into broadcasting. Just before Coke's acquisitions, Columbia almost closed on a $185 million deal to acquire the Outlet Company, a group of five TV stations and several radio stations based in Providence that was seen as providing a secure earnings base for the more volatile film business. The acquisition fell through after Coke announced plans to buy Columbia, and Gallop admits that it hurt when Columbia was offered a chance to buy the stations again last year, at three and a half times the earlier price. (The Outlet stations are to be sold for $650 million in a leveraged buy-out to Wesray Capital Corporation.)

Vincent looks back on those early years with candor. "I didn't know anything," he admits. "In my first five years I had 20 years of trauma." He now regrets that he failed to make a big investment in broadcasting years ago, but feels that today's prices are just too high.

Vincent's frugality is also apparent in his consistent efforts to hedge his bets in the inherently risky business of making movies. The success of a movie still depends upon the unpredictable whim of a fickle public, regardless of its production or promotion budget. Vincent's most important contribution to Columbia probably has been a series of imaginative arrangements that have put into place a safety net to prevent the studio from taking a catastrophic bath on any single film.

In 1981 he engineered a pioneering deal with HBO that guaranteed Columbia certain minimum earnings on films (based on their theatrical performance) in return for five years of pay-TV exclusivity for HBO. The deal, recently renegotiated until 1990, is among the best between studios and pay-TV networks.

Just six months after Coke bought Columbia, Vincent negotiated the formation of Tri-Star Pictures, the first new major motion picture studio in years, as a joint venture with Time Inc.'s HBO and CBS Inc. The idea was to increase production for Columbia's channels of film distribution and further reduce risk by bringing in partners to share in production costs.

Tri-Star, now run by Victor Kaufman, Columbia's former executive vice president, has been an enormous success, producing such hits as *Rambo: First Blood, Part II*, the number-two box office hit of 1985 (behind *Back to the Future*). Last year Tri-Star pumped $20 million straight into Columbia's operating profits. Tri-Star went public last year, and in a reshuffling, CBS sold its interest and Columbia purchased half of HBO's shares. This past summer Tri-Star, as Columbia had already done, moved into theater ownership, buying United Artists Communications theaters, with 1,100 screens.

Finally, Vincent has negotiated a series of public financings, the so-called Delphi offerings, to raise production money in return for a share in the profits Columbia might make. "You can't underestimate the importance of Fay as *the* dealmaker," notes a former Columbia executive.

As it happened, Vincent and Gallop also fit perfectly into Coke's corporate culture in 1981. Vincent's Ivy League Catholicism blended right in with the background of Goizueta, the Cuban-born, Yale-educated chairman of Coke. Columbia is the only major studio to maintain a headquarters in New York rather than California, and there are no open shirts or gold chains in its subdued suites above Fifth Avenue and 55th Street. Vincent's distinctly un-Hollywood persona has even been the butt of jokes he tells about himself. Companion: "Look, Fay has on sunglasses. Has he gone Hollywood?" Herbert Allen: "No, look at his shoes, ha ha." Pointing to his size 12½s Vincent explains that "Gucci was not made for the sons of Irish peasants."

Above all, Vincent's risk-averse but imaginative financial strategy has suited a traditional multinational corporation just fine, and he has, accordingly, been trusted with a great deal of autonomy. "The authority I have is almost total," he states flatly. Indeed, Vincent may have welcomed the Coke takeover because it diluted the influence of Herbert Allen, a cool, secretive banker who is still chairman of the compensation committee of the Coke board and is highly regarded by Atlanta. Allen & Company acts as Coke entertainment's investment banker on all major transactions. Vincent still talks to Allen almost every day by phone and says that the banker "is as active in Columbia's affairs as he ever was."

Another Columbia insider puts it this way: "Atlanta comes in on the big decisions, like 'Television is a good business, let's put more emphasis on that,' or 'The motion picture business is doing very poorly, we must address that in 1986.' But for the most part, Fay has created a screen between Atlanta and the creative people at Columbia."

"If someone asks Roberto or [Coke president Donald R.] Keough about the next five Columbia pictures coming up, they'll say, 'Ask Fay,' " Vincent says. "Nobody in Atlanta even met Steve Sohmer [the president of Columbia Pictures] before I hired him."

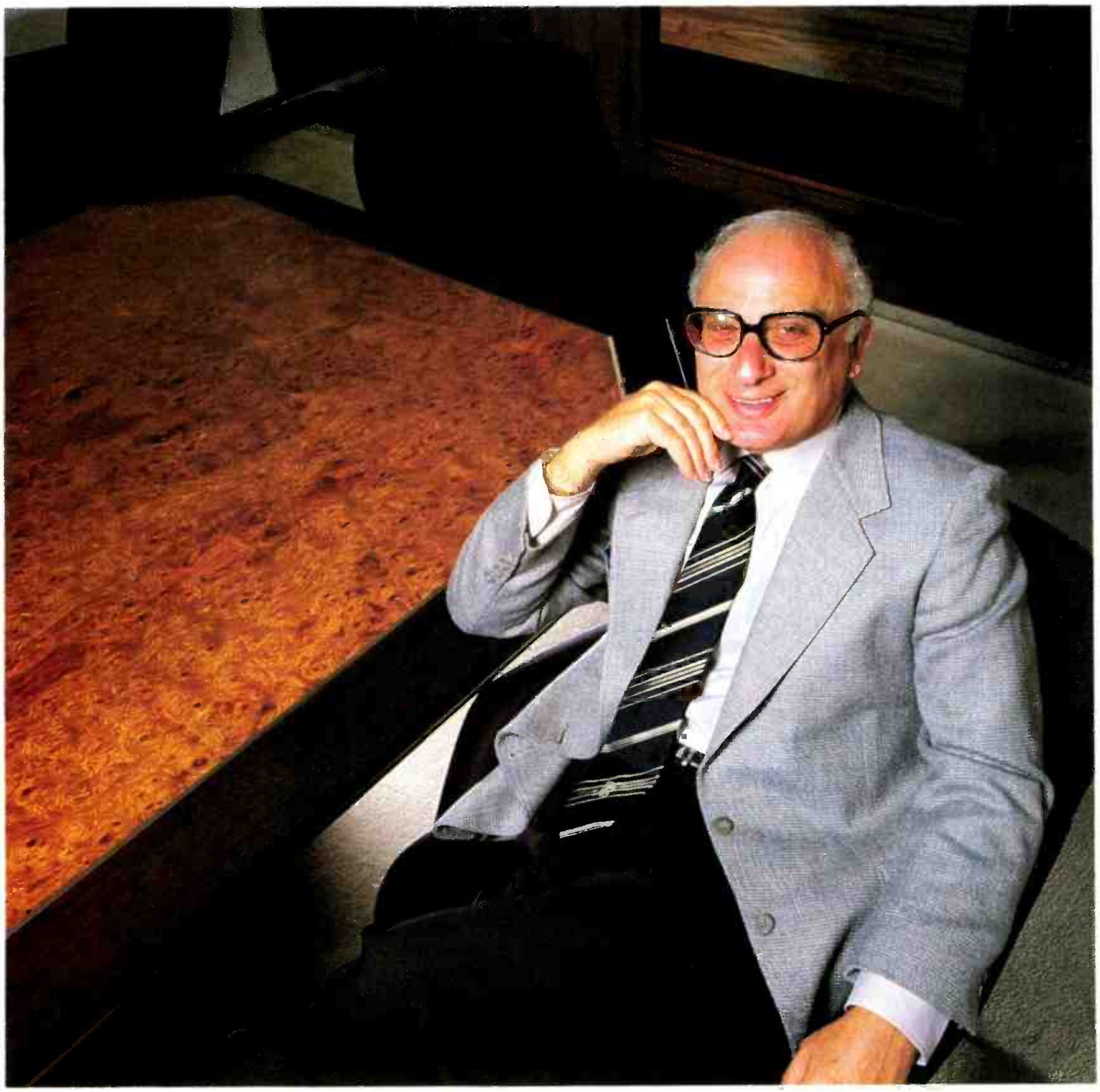
Coke's top management keeps its distance from its own movie business because so many films made today are R-rated due to violence, nudity or profanity, and the world they depict is a far cry from the wholesome, clean-cut image preferred by the Coca-Cola Company. "Goizueta doesn't want to be part of any decision to make films like *Body Double*," explains one Hollywood writer, referring to a gory depiction of masturbation and murder by electric drill produced by Columbia a few years ago. From the first, Coke executives knew they would need "plausible denial" when they produced such fare. According to Vincent, the subject came up over lunch at the restaurant 21 the first time Coke executives discussed their interest in buying Columbia. When the Columbia people asked how Coca-Cola could be involved in making R-rated films, the answer was simple: No one at Coke will see a script and Coke's name will not appear on the big screen. (Interestingly, this is not true of Coke's television shows; at the end of each, a line reads "Columbia Pictures TV—A Unit of the Coca-Cola Company." "One might call that advertising," chuckles Vincent.)

There have, of course, been times when the Hollywood people have gone too far even for this *laissez-faire* policy. Guy McElwaine, who ran the motion picture division until he was recently eased out, did exercise a veto when director Brian De Palma wanted to use a porn star in a key role in *Body Double*. And during the 1984 Christmas season, Tri-Star was ordered by its owners to pull a low-budget shocker called *Silent Night, Deadly Night* out of theaters after protests arose over the film's depiction of a maniacal killer dressed up as Santa Claus.

For the most part, however, Coke's hands-off approach has made good business sense, since it has been demonstrated that the most successful acquisitions of movie studios by corporations have been those in which the parent left the filmmakers alone. Columbia did find it necessary to tone down Coke's marketing bravado, which stemmed from Coke's miscalculation that it could transfer its skill in soft-drink marketing to movies. Movies are unique products with, at most, two weeks to find an audience. Soon after its acquisition of Columbia, Coke named its number-two marketing guru, Peter Sealey, to oversee the studio's marketing efforts. Sealey didn't help matters any when, in a 1983 *Fortune* magazine article titled "Coke Tries Selling Movies Like Soda Pop," he declared that "I would put the movie business ten to 15 years behind the consumer package industry in marketing sophistication." Until Coke arrived, he went on, "Columbia relied more on publicity junkets [and] star appearances" than on serious market analysis.

After that, Sealey was retired from the chore of talking to the press to focus on marketing, but could still work no miracles. Those are still pulled off by a force Vincent calls the "God of Movies." But that God has not been kind to Coke moviemakers as yet. Since 1984, when Price moved to Universal, Colum-

'I don't hear from anybody at Coke. I see them maybe once a year at an annual management seminar.'



ROB LEWINE

Show biz veteran Rush, president of the Columbia Television Group, can cut $20 or $30 million deals on his own today.

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The hottest sounds. The coolest stars. All in a one-hour, once-a-week, rock solid format that's a proven smash with men, women, young adults...and stations all across the country.

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NEW YORK/WCBS/Sat 11:45PM
Men 12-34 + 69%
Men 18-34 + 84%
Women 12-34 + 585%
Women 18-34 + 568%
Women 18-49 + 146%

LOS ANGELES/KTLA/Sat 11:00PM
Men 12-34 + 19%
Men 18-34 + 19%
Women 12-34 + 9%

CHICAGO/WFLD/Sat 11:30PM**
Men 12-34 + 160%
Men 18-34 + 52%
Men 18-49 + 56%
Women 12-34 + 25%

BOSTON/WBZ/Sat 1:30AM
Men 12-34 + 2800%
Men 18-34 + 2800%
Men 18-49 + 35%
Women 12-34 + 100%
Women 18-34 + 100%

PHILADELPHIA/WGBS/Sat 7:00PM
Men 12-34 + 129%
Men 18-34 + 225%
Men 18-49 + 58%

CINCINNATI/WLWT/Sat 1:00AM
Men 12-34 + 300%
Men 18-34 + 100%
Men 18-49 + 500%

HOUSTON/KRIV/Sat 10:30PM
Women 12-34 + 147%
Women 18-34 + 129%
Women 18-49 + 111%

CHARLOTTE/WBTV/Sat 1:00AM
Men 18-34 + 100%
Women 12-34 + 1100%
Women 18-34 + 700%
Women 18-49 + 100%

JACKSONVILLE/WJXT/Sat 12Mid
Women 12-34 + 200%
Women 18-34 + 200%

WEST PALM BEACH/WPTV/Sat 1:00AM
Men 12-34 + 300%
Men 18-34 + 300%
Men 18-49 + 100%

MIAMI/WPLG/Sat 12:30AM
Men 12-34 + 1600%
Men 18-34*
Men 18-49*
Women 12-34*
Women 18-34*
Women 18-49 + 350%

GREEN BAY/WFRV/Sat 11:00PM
Men 12-34 + 150%
Men 18-34 + 200%
Men 18-49 + 200%
Women 12-34 + 300%
Women 18-34 + 200%
Women 18-49 + 200%

ORLANDO-DAYTONA BE
Men 12-34*
Men 18-34*
Men 18-49 + 200%
Wo
Wo
W

ST. LOUIS/KMOX/Sat 10:30PM
Women 12-34 + 175%
Women 18-34 + 160%
Women 18-49 + 75%

INDIANAPOLIS/WXIN/Sun 8:00PM
Men 12-34 + 500%
Men 18-34*
Men 18-49 + 200%
Women 12-34 + 1100%
Women 18-34 + 800%
Women 18-49 + 267%

KI
Men 12
Men 18
Men 18

Source: NSI May '86
(% increase over year ago)
*Increases are incalculable due to May 1985 time period below minimum reporting standards.
**Percent increase over February '86

TOP 20 VIDEO COUNTDOWN
MTV
MUSIC TELEVISION®
TULSA/KOTV/Sat 12:30AM
Men 12-34 + 100%
Men 18-49 + 100%
/WESH/Sat 1:00AM
12-34*
n 18-34*
n 18-49 + 600%
SACRAMENTO/KRBK/Sat 11:30PM
Men 12-34 + 100%
Men 18-34 + 300%
Men 18-49 + 20%
Women 12-34 + 400%
Women 18-34 + 700%
Women 18-49 + 200%
CLEVELAND/WOIO/Sat 11:00PM
Men 12-34*
Men 18-34*
Men 18-49 + 350%
Women 12-34*
Women 18-34*
Women 18-49 + 1000%
NASHVILLE/WZTV/Sat 9:00PM
Men 12-34 + 200%
Men 18-34 + 200%
DES MOINES/WHO/Sat 12Mid
Men 18-34*
Men 18-49 + 1100%
Women 12-34 + 400%
Women 18-34 + 200%
Women 18-49 + 200%
VILLE/WBIR/Sat 12Mid
200%
+ 100%
+ 100%
Women 12-34*
Women 18-34*
Women 18-49 + 300%
Viacom®

IN ITS ZEAL to stay on top, Coke is exploring new TV display systems and even producing its own events.

bia Pictures' failures have outnumbered its successes. For all its caution, the studio has made a few large-scale blunders, like *Annie*, *Sheena* and *Krull*. And last year, *Perfect*, *Crossroads*, *The Slugger's Wife* and *Fast Forward* were all bombs.

In *Variety*'s rankings of 1985 domestic box-office market shares, Columbia placed fifth, with a 9.7 percent share, behind Warner, Universal, Paramount and Fox. Tri-Star did almost as well, posting a 9.1 percent share with fewer films.

This sorry record, and the disappointing prospects for Columbia's 1986 as well, cost McElwaine his job after a reported showdown with Vincent. His replacement is David Puttnam, the British producer whose work includes *Chariots of Fire*, a film veteran who has been given, by Hollywood standards, a remarkable degree of autonomy to bring Columbia mass-market success and critical praise, a mandate that by mid-summer had intrigued much of the film community. Sources say Puttnam, in what has been described as an "emotional" meeting, told the top management of Coke in Atlanta that he would not make mass-market films like *Rambo* and *Cobra* and insisted he wanted to make films that mattered, films like *Lawrence of Arabia* and the Columbia hits of other eras. Meanwhile, Sealey has continued as head of Columbia Pictures' marketing and distribution, and while company executives give him high marks for at least releasing Columbia movies more efficiently, some industry executives joke that the films are kept a secret even upon their release.

Because of its deal with HBO, a licensing arrangement with CBS and the Delphi financings, Columbia's negative costs—the actual production costs—are substantially covered. Thus, if a film costs $15 million to make, Columbia may have an exposure of as little as $2 million, and the studio can focus on carefully managing release and promotion costs. Those pressures fall on the group's president, Steve Sohmer, the former NBC publicist who, like Sealey, is a marketing man. Sohmer's first pictures are debuting now, including a $30 million-plus epic, *Ishtar*, starring Warren Beatty and Dustin Hoffman, scheduled for Christmas release.

Columbia and the other studios face another challenge in the rapid shift of the movie business to videocassettes. This year consumers will probably spend more on cassette rentals than at the box office, a mixed blessing for Columbia. On the one hand, the studio says that its operating profits from cassette sales through its highly successful RCA/Columbia Pictures joint venture have been ahead of the growth in the business generally, which last year in the U.S. grew by an astounding 43 percent. On the other hand, most analysts believe that some of this growth is at the expense of box office receipts, since producers receive income only from the one-time sale of a cassette. "It's a major challenge to figure out how we can get more of that consumer dollar," says Vincent.

Small wonder, then, that Coke's major entertainment investments have been in TV programming, the goose that keeps laying the golden egg. For three years straight, television has been the most profitable unit of the company's entertainment sector, largely because of syndication's huge profits. With more and more independent stations (300 at last count) demanding more and more programming, the value of reruns has skyrocketed in recent years. It is not unusual now for a hit series to rack up $1 million per episode. Since successful series have roughly 100 episodes or more, it doesn't take an accountant to figure out how much cash they can generate. Columbia's *Hart to Hart*, for example, with 112 episodes, has a long-term value of more than $100 million.

According to estimates by Paul Kagan Associates, worldwide syndication in 1985 was a $2.65 billion business. In 1986, Columbia will have 15 to 17 percent of that market, according to Joseph Indelli, who was Columbia's well-regarded man in charge of all progamming sales until he left earlier this year to head a new distribution company for MTM. Indelli's replacement is Robert King, former head of King World Productions and a managing director of the Television Program Source, the joint venture that peddles game shows.

Columbia has also been extremely successful in the burgeoning business of barter syndication, whereby the distributor takes a reduced fee and keeps several minutes of advertising time. If the show is bartered to enough stations around the country, the time can be sold to a national advertiser. Total barter sales alone are now worth an estimated $530 million.

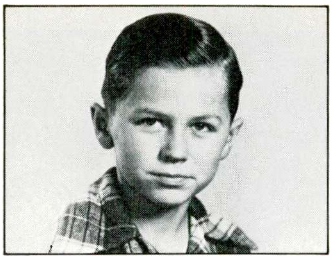
On top of all this, off-network series can be sold again by producers after five or six years, and these second-run syndications can be worth more than the first time around. The cartoon series *The Flintstones* earned $13 million during its first 16 years in syndication and will rack up another $40 million for Columbia between 1981 and 1991. Similarly, in its second cycle, *M*A*S*H* will make ten times its first-run earnings.

While digesting all of its new product, Columbia is continuing to unearth ways to market its television shows more effectively, particularly to the networks and affiliates, in an effort to ensure their syndication value.

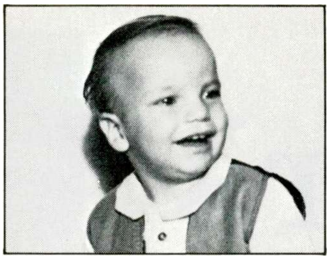
"Our TV division was completely devoid of marketing thinking," Gallop says bluntly, crediting Coke's marketing savvy and Peter Sealey with significant improvement in that area. Two years ago, for example, Columbia became the first major to buy advertising for one of its own prime time shows. The studio paid $2 million for radio and TV spots and newspaper ads to plug *T.J. Hooker*, then in its third year on ABC. The network canceled the show anyway, but it was later picked up for a late-night spot on CBS. Columbia financed 19 additional episodes itself, and now the show has been syndicated. While the experiment may not have proved the value of advertising, Columbia will make more money on the show in the end.

Meanwhile, Biondi is busy trying to find the next great market for entertainment. The company, with Fox, Warner and Paramount, is funding research at the Massachusetts Institute of Technology to among other things develop new TV display systems. He is intrigued by the possibilities in pay per view and sees it as a huge new market opportunity, just as he saw the coming of pay TV in the 1970s. By Biondi's calculations, it could be a $20 million to $40 million market already; and if you add the possibility of sending sports events through those distribution systems, you are suddenly in the event business.

Biondi is thinking about how Coke can produce events, exploiting the fact that it's already a big sponsor. He thinks very fast and is most likely Coke's insurance policy in its bid to stay ahead in one of the most rapidly changing industries in the world. Biondi is well aware that that job is roughly akin to staying on top of a log in white water. "We've had a good profit picture for the past few years," says Biondi. "But it gets tougher every year. There are a lot of smart people out there trying to figure out how to stay ahead of this business." ●

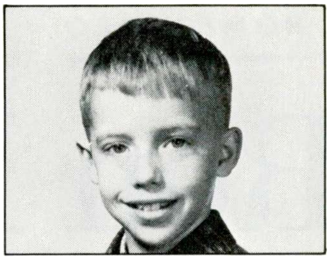


Cullie M. Tarleton
WBTV, Charlotte



John Suder
KWGN, Denver

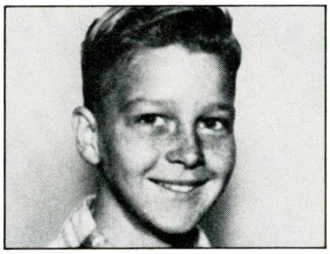
Jonathan Klein
WJZ, Baltimore



Joe Berwanger
KDKA, Pittsburgh

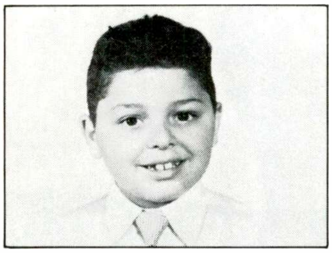
Joe Schwartzel
WINK, Fort Myers

Bob Donohue
KMOL, San Antonio

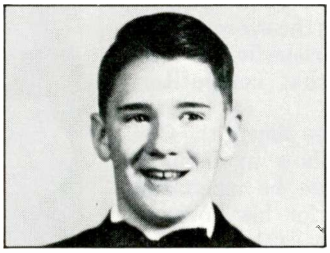


Al Parsons
KOCO, Oklahoma City

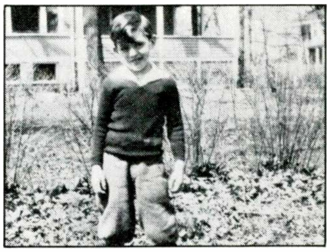
Joe Franzgrote
KARE, Minneapolis



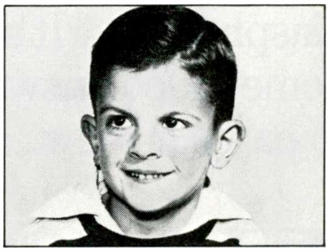
John Spinola
WBZ, Boston



Dave Dodds
WGAL, Harrisburg/Lancaster



Bill Flynn
WJBK, Detroit



Barry Barth
WFSB, Hartford

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KJRH, Tulsa • KATV, Little Rock • WPTV, West Palm Beach • WBIR, Knoxville • WSTM, Syracuse • WCSH, Portland, ME • KTVV, Austin • WFIE, Evansville • WCSC, Charleston • WINK, Fort Myers • WRDW, Augusta • WLBZ, Bangor

Ron Berger's Heresy

by Steve Behrens

THE NATION'S top video-store franchiser proposes a new deal with Hollywood that other retailers call blasphemous. It's his home-video answer to pay per view.

You know what the answer will be, but you ask the clerk anyway. Does he have any videocassettes of *Back to the Future* for rent? Oh. Then is *Witness* in? How about *Jagged Edge*? If you're the determined type, you turn to studying the shelves and eventually go home with a less familiar movie in a plastic bag. You are the *ideal* video customer.

But if you insist on renting some particular tape, possibly because you've seen all the other appealing titles in the shop, you walk away empty-handed, time and again. You are an omen of fundamental troubles for the rental business. Though the shop stocks five, 15 or even 50 copies of a hit, all copies are out constantly. ("A movie like *Back to the Future* won't stay on the shelf more than five minutes," admits one retailer.) The shop has neither enough "depth" for you—enough duplicates of a popular title—nor enough "breadth"—the huge variety of alternative titles needed to satisfy diverse customers.

"Put those factors on top of each other and we have a scenario that is very dangerous to the home video industry," says Ron Berger, president of National Video, the world's largest chain of franchised video stores. Berger is trying to bring off a different scenario—a plan that could drastically reshape video retailing before its first decade is out. It could also give Berger's flock of 800 stores, and other large chains, an edge in the overcrowded, underpriced and precarious field of video retailing—an edge that competitors regard suspiciously.

Berger announced the plan at the Consumer Electronics Show in January, where, five years before, he had started recruiting franchises for his Portland, Ore.-based chain. He calls the plan "pay per transaction," but it's understandable that retailers have been known to slip and call it "pay per view." Like PPV, the cable television system that charges viewers on a per-program basis, this cassette rental scheme would give the movie studio a cut for each viewing. That notion alone qualifies Berger as home video's leading heretic.

Berger, a stocky, soft-spoken 38-year-old salesman who emigrated from Tel Aviv in childhood, is weary of being called a stooge for the studios. "It has been a very lonely game out here," he says. He can name only a couple of major retailers who admit to seeing any future in pay-per-transaction—the 7-Eleven convenience store chain, which has been privately proposing a PPT plan to the studios, and the Federated electronics stores in the Southwest. Remarkably, there's little overt support from studio executives. They have many doubts about anything that would complicate or upset such a clear-cut and potentially lucrative business as exists today.

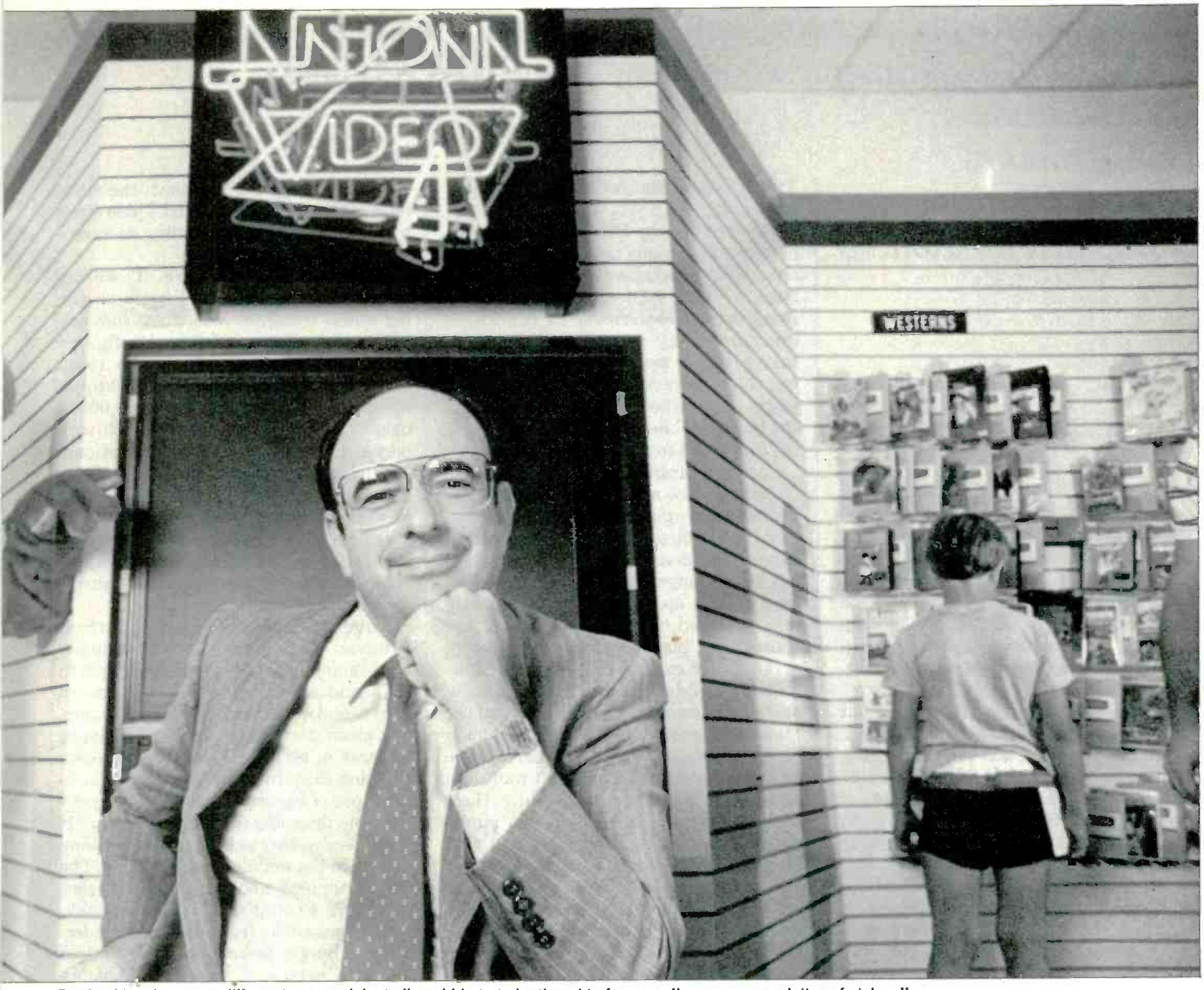
The way movie rentals work now, the manufacturer makes a cassette for about $6, sells it to a distributor for, say, $45, and the distributor resells it for about $50 to a rental shop. Thereafter, because of the legal principle known as the First Sale Doctrine, the retailer owns the cassette and can keep all proceeds from renting it out. Or the shop can sell it to a customer, probably for $79.95. Based on

National Video's Berger in a shop near his

National Video's limited PPT experiment this year, Berger thinks it will make more money for both the studio/manufacturer and the retailer than the present system. "We're telling the studios two or three times more," he says.

If PPT comes to pass, the actual economic formula would emerge from experience and prolonged head-knocking among all parties, but for openers Berger proposes that the retailer buy the right to rent out a PPT cassette for a flat $6 to $12 plus 30 to 50 percent of the fee from each rental customer. At least $6 of the up-front charge would go to companies like Berger's, which would handle the middleman chores now performed by distributors; these companies would also standardize the stores' computer systems to track every rental and assure the manufacturer his proper share of the money.

The lower up-front cost would help retailers' depth—allowing them to afford dozens of additional copies to satisfy the



Portland headquarters: "I'm not a maverick at all, and I hate to be thought of as one. I'm more an exploiter of niches."

hit-renting throngs—and at the same time, Berger believes, plow some of the savings into a greater breadth of titles.

Participating retailers would have the advantage of an early release "window"—getting a movie for PPT rental 30 to 60 days before it's released for outright sale to dealers. Retailers wouldn't have to gamble such large amounts on multiple copies of a title; they would be renting most of the cassettes just for the month or two when a film's demand is hottest.

If Berger had his druthers, the PPT release would precede or come at the same time as showings on pay-per-view cable. His experiment in squeezing more revenue out of a movie's afterlife isn't the only one now in progress. Not long ago movies generally came out on cassette two or three months before appearing on cable. Now the studios and cable companies are experimenting with permitting pay-per-view showings of selected films several weeks before release on cassette.

Though early windows could not be arranged for Berger's test, he set out in January to test other aspects of PPT, recruiting ten National Video franchisees and three manufacturers. Before the end of the test's first phase in June, Berger had encouraging results. In 90 days the ten stores had ordered $20,000 in cassettes from a single manufacturer, while they ordinarily would have spread orders worth $60,000 among more than a dozen major companies. He crows: "That number has proven our case more eloquently than anything else we could say."

But who are these dealers and manufacturers? Berger says he must protect the cassette suppliers from backlash and will never reveal their identities. No manufacturer has admitted participating. Skeptics say the test is all in Berger's head. The trade newsletter *Video Week* called it "the biggest home video mystery of the year." Nevertheless, though any real documentation would let his secrets out, Berger set out in April to persuade more manufacturers to participate in phase two of the test, now getting started. Berger plans to report the latest on the test at the National Video franchisees' convention this month in Las Vegas. If phase two goes well, PPT could start in earnest next year.

At least some of his franchisees would give PPT a chance. When he went looking for 100 of them to participate in phase two of the test, he says, owners of 260 of the chain's 800 operating stores volunteered. But many retailers, perhaps most, suspect that Berger's plan would invite the fox into the chicken coop. "It's the studios' way of getting their fingers into our pocketbooks," says Leo Jerman, who owns a three-store chain based, like Berger's, in Portland. He says PPT would open the way for the big cassette

PHOTOGRAPHS BY JIM LOMMASSON

BERGER SAYS his 'pay per transaction' plan, tried in a confidential experiment, would benefit both the retailers and the studios. Still, doubters abound. Says one: 'Ron's in it for Ron.'

companies to force big rental chains to bid against each other for rights to blockbusters, take higher royalties, force rental prices up and otherwise call the tune. By agreeing to PPT terms, the retailers would be voluntarily circumventing the First Sale Doctrine, which has been a protective barrier and stabilizing force in the young rental industry.

Retailers also fear that PPT could put the emphasis on hits, soaking up customers and shelf space while forfeiting the videocassette medium's unique advantage in delivering a wide variety of programming. That would repeat the movie theaters' mistake in promoting and giving long plays only to hits, says Allan Caplan, owner of the 18-shop Applause Video chain based in Omaha.

At the same time, the need for a computer system costing $15,000 or more would put many of the small, pioneering "mom and pop" video stores out of the running for PPT, as Berger admits. "We owe a lot of credit to mom and pop," says a National Video executive. "But they have not kept up."

If so many retailers are dead set against paying a penny of royalties to Hollywood, why is Ron Berger so willing to consort with, even to court, the enemy?

"He has a sincere belief that an adversary relationship between suppliers and dealers is not the way to build a long-lasting industry," explains Tom Adams of *Video Store* magazine. Berger has even joined the Hollywood camp, three times, testifying in Congress against the First Sale Doctrine.

Another explanation, perhaps more widely held, is that Berger's interests are distinct from those of many others in video retailing. PPT would belong, at least at first, to National Video and other large retail chains that could swing deals with Hollywood and install computers, as National Video officials admit. "By being the guys who stepped up and did it, we hope to get a bit of a lead," acknowledges Troy Cooper, Berger's executive vice president.

Other critics say PPT is a desperation move for a company that sells franchises, not video entertainment, and that now faces a tough future. "Ron's in it for Ron," says Leo Jerman. PPT, with its lower inventory costs, is nothing more than a selling point for National Video franchises, says Allan Caplan. "It's a way to get a guy who's undercapitalized into the business," he charges. "They're selling franchises to feed their machine."

Each new franchise does indeed give National Video a hefty $29,900 one-time franchise fee, plus a continuing 4.9 percent royalty on software revenues *and* a 3 percent fee to support national advertising. In exchange, the home office in Portland dreams up sweepstakes, a monthly magazine and other promotions for the franchisees, places national advertising, arranges for exclusives like (Paul) Newman's Oldstyle Picture Show Popcorn, and offers training, start-up help and the standard, gaudy blue and persimmon store designs. But most retailers, unbeholden to national chains, don't want Ron Berger or anyone else holding their hands. They suspect that video stores weren't meant for franchising and that Berger has cooked up PPT as a gimmick just to keep National Video in business.

As a selling point for franchises, PPT hasn't helped, Berger insists—it scares off just as many franchise prospects as it attracts. National Video has continued to sign up about 300 franchisees a year, totaling more than 1,400. Of those about 800 outlets are operating (145 of them in Canada). Only about a dozen have failed, Berger says. "That's excellent. We won't be able to maintain that rate for long."

The "whoopee days" for video retailers are over, as one chain executive observed. "Shakeout" is on everyone's lips and stores are for sale all over because too many people jumped in, driving prices down. While there were some 20,000 video specialty shops renting cassettes two years ago, there are now 35,000, and twice that many mass merchants and other kinds of stores renting tapes, according to Steve Apple, editor of *Video Insider*. "The basic problem is that anybody can start a store," says economist David Waterman. "You need no particular skills. You get easy entry and low profits just like you do with the corner cigar store." While stronger retailers try to hold rental prices near $3, others have dropped to $1 a night or less. "There's no arithmetic by which they can be making a profit," says Waterman. Price competition has already pushed down the revenues of the average National Video store by 20 to 25 percent, according to executive vice president Cooper.

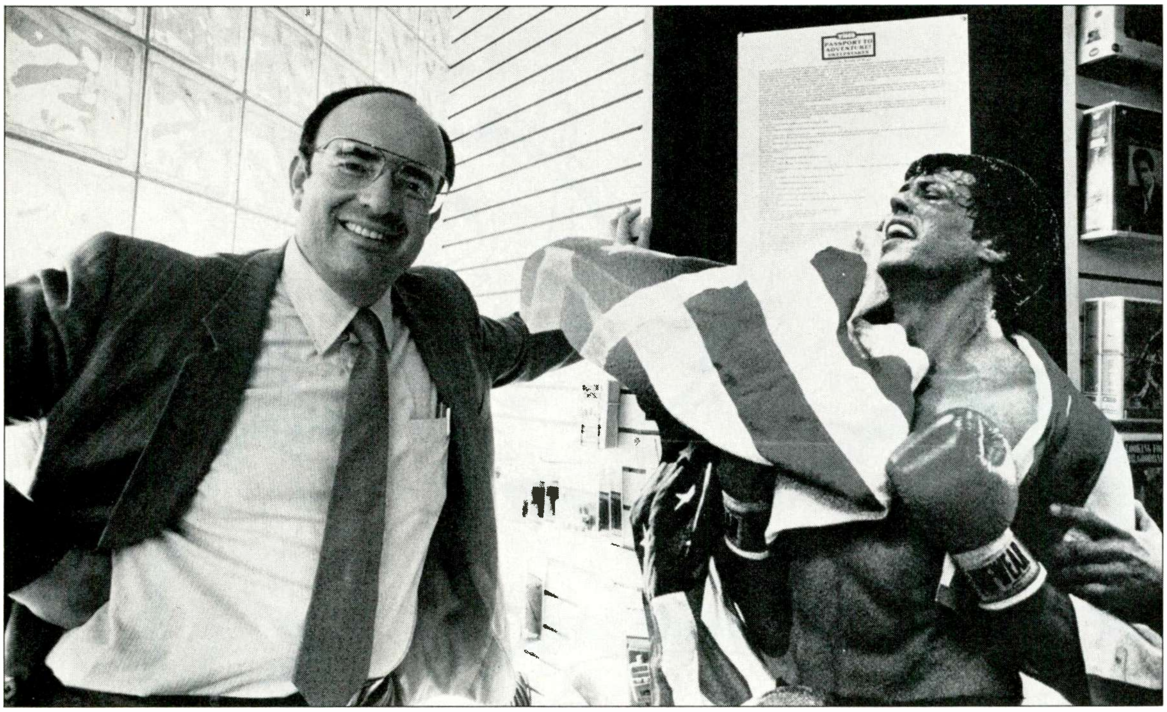
Other franchisers have it worse, Berger says. Dependent largely on the big initial franchise fees, they risk collapse when sign-ups falter. He figures that National, alone among the video store franchisers, has enough stores operating to bring in the $200,000 a month in ongoing royalties needed to support the operation. This spring National Video increased its lead over Adventureland, taking over the failing Wichita-based franchiser Popingo, which had 191 outlets. "What happened to Popingo," says Berger, "will happen to virtually all franchisers in the business other than our company, frankly."

Berger has had it happen to him, in fact. After an early career in photo supply wholesaling, Berger moved to Oregon in 1973 and started franchising camera stores under the Photo Factory name. The chain grew to 57 stores. He bought cameras in bulk for the small retailers, enabling them to sell at prices approaching those of big-city discounters, arranging bank financing for the purchases. "It all worked as long as the bank was willing to play in the middle," says Berger. The chain crumbled when interest rates shot up in 1979. Photo Factory declared bankruptcy; most of its franchises went under.

Next, Berger looked into the new field of video retailing. Would franchising work there? His 1980 survey showed great prospects for cassette rentals as a service to families, at a time when most rentals were X-rated. In January 1981 Berger sold his first National Video franchises at $10 apiece. Though Berger has twice temporarily lost control of the company to investors, requiring him to organize buyouts, National's history is most distinguished by its rapid growth. "He got on the wave and it just went higher and higher," says Oregon retailer Leo Jerman. "It was so easy to sell franchises, it was unbelievable." Last year only seven franchising companies of any kind sold more franchises than National Video.

Now Berger is predicting the fiscal year's after-tax income will hit $1 million, even though last year's was only $246,000. (A major factor will be the company's big July increase in its initial franchise fee, from $19,900 to $29,900.) Any such boost to revenues will be well timed. National Video plans its first public stock offering this fall.

Nobody knows what Hollywood really



Like others in video retailing, Berger wants to get more rental "turns" out of major new releases like *Rocky IV.* The dispute is about how they should do it.

thinks about Ron Berger's PPT idea. From most indications, opinion is mixed and expressed only tentatively by executives of the great studios that dominate the prerecorded cassette trade. "Maybe it's just paranoia," says MGM Home Entertainment vice president Saul Melnick. "You have a base of people you're doing business with now. You don't want to upset that."

Not long ago the studios were proposing similar schemes of their own. In 1982, the Pleistocene epoch of the video biz, Warner Brothers debuted its cassettes for rental only, leasing them to retailers by the month and then releasing the same titles for sale later on. National Video was one of the few chains that gladly went along. "Our stores had the most profitable months they've ever had," says Berger. Many other retailers, however, were outraged at the precedent and annoyed by the paperwork; they virtually boycotted Warner releases. Warner lost its pants and, like Disney and several other manufacturers that had similar plans, quickly dropped its attempt to erect a bulkhead between cassette rentals and sales.

That objective is still dear to the studios. If this world were entirely theirs to redesign, they'd love to raise the price of video rentals and get a cut of every one, while simultaneously lowering the selling price of cassettes to boost sales (as most have already done selectively).

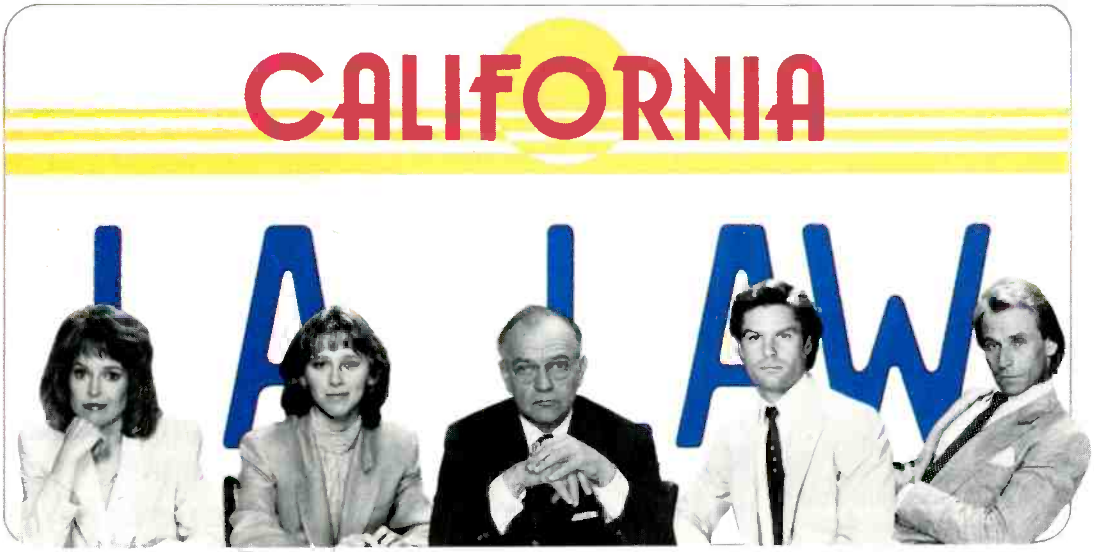
PPT might even work logistically, now that computers are taking root in rental shops. And the bigger retailers now entering the business can give the studios a more reliable audit trail on rental revenues than the mom-and-pop outlets, says Wilfred Schwartz, chairman of the 60-store Federated electronics chain. Schwartz and his like aren't scrappy corner-store proprietors; they're men a mogul could enjoy doing business with.

Even so, the studios may pass up the opportunity. The reasons are many: PPT, as proposed, has distinctly distasteful implications for them: It would delay the quick surge of cash that comes when they sell cassettes to distributors. Worse, if a movie flops at video stores, the damage wouldn't be confined to the retailer. "I can't see how the studios would want to participate," says Steve Savage, president of the innovative Manhattan retailer New Video. "They're getting their money up front now. This would turn into something very speculative." Even with a successful title, the manufacturers would be stuck with thousands of surplus cassettes after the hot rental period ended.

Hollywood's rulers may have learned their lesson in 1982. They see now it's not necessary to collect a ticket for each viewing; they profit nicely just by selling a tape at a flat price to the small businessman, letting him sweat out the price wars and details. Cassette revenue has taken a crucial role in movie economics; it accounts for about a third of the studios' revenues and nearly all of their revenue growth, by one estimate. "We don't want to kill the golden goose," says one Hollywood executive. "I'm not sure we're missing out on a lot of the revenue from cassettes. I don't see many retailers driving off in Rolls-Royces."

"This is a young business," says MGM's Saul Melnick, with the detachment necessary in a business that is forever beset by change. "We don't have normal rules to follow. We're making them up as we go." He's watching Ron Berger's test—whatever he can see of it—and says he'll get really interested if it indicates PPT would extract more money from the movies.

Then there are the retailers to convince. Ron Berger didn't expect to become a heretic in his field. "I am not a maverick at all, and I hate to be thought of as one," says Berger. "If I have to be characterized, I'm more an exploiter of niches. I'm much the same as most entrepreneurs—I tend to look for needs that simply aren't being addressed." Maybe this particular niche has not been addressed again for good reason—and the die already has been cast for the video rental business. Or maybe the niche was just waiting for Ron Berger to come along. ●



NBC's L.A. Law, *a new series about an upscale California law firm, may be the season's hit. It stars Jill Eikenberry, Michele Greene, Richard Dysart, Harry Hamlin, and Corbin Bernsen.*

More Than Meets the Eye

The networks' fall program schedules, with their hefty infusion of conventional new series, belie the true distinction of the 1986-87 television season. In fact, there's never been a season quite like this one. If the difference escapes the eye, it's because the newest shows of all are playing behind the screen rather than on it.

This is, for example, the first time ever that two of the networks have opened the season under new ownership (ABC and NBC), with whatever that may bode for the future. It is also the first in which two networks (ABC and CBS) assembled their schedules with new program chiefs, neither of whom can be blamed for the failure of his issue since neither was responsible for the program development. And surely it must be the first time that two of the networks have claimed

(Continued on next page)

third place before anything got rolling—ABC officially, in Brandon Stoddard's program presentation to the press last summer; CBS unofficially, and by suggestion, in Kim LeMasters' exclusive interview with *Channels* [See Sound Bites, page 78]. NBC, meanwhile, as the undisputed leader in the ratings, is also the network taking the boldest chances, with the most original new programs—a role that normally falls to the third-place network.

But what is most significantly new this fall is the presence, and the challenge to the big networks, of the so-termed fourth-network movement—the armies of independent stations (some, like Fox Broadcasting, with production companies behind them), syndicators of first-run programming, operators of satellite distribution systems and cable networks, all of who are determined to crash the lucrative prime time party. Whether any of them succeeds in this year's go-around, the movement has to be taken seriously now and forever. It will be impossible hereafter to assess any new TV season without some attention to what the invaders are up to.

Fox Broadcasting, in particular, is starting its challenge to the networks' hegemony with an assault on Johnny Carson's *Tonight Show*, via a syndicated nightly talkfest featuring Carson's most effective NBC surrogate, Joan Rivers. If Rivers should succeed in drowning Carson, look out—for that would signal a loosening of the networks' natural claim to the mass viewing audience. In addition to Rivers, at least a dozen series purporting to be of network stature, and produced expressly for the syndication market, are in contention for the new season's audience and advertisers. Meanwhile, leaders of the cable industry are cooking up a fourth-network thrust of their own.

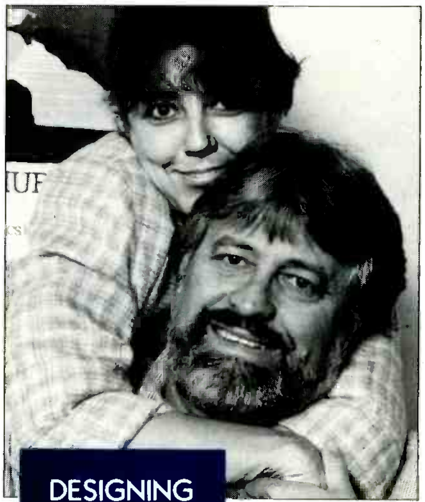
In the pages that follow, *Channels* examines the networks' program strategies for the new season, highlighting the shows and producers likely to play the key roles. This special section also surveys the morning line on the season by leading advertising agencies; runs the numbers on the returning network series with a view to their future in syndication; and puts a focus on the first-run syndicated sitcoms that aspire to make some trouble for the networks this year. Critic Michael Pollan assesses Joan Rivers's chances as Johnny Carson's opponent, and Lewis Grossberger takes a bemused look at the season's big trend, sitcom knock-offs of last year's runaway hit, *The Cosby Show*.

Television, one learns after observing it awhile, is not about programs but about audiences. The taste and mood of the audience—especially the young adult viewers most sought by advertisers—seems to change every few years. And by and large, programs succeed not on the basis of quality but on being in tune with the current mood, which is why most new program series take their inspiration from the hit shows of the previous year. In that respect this season is classic.

Les Brown

Who Sets the Tone?

The new season is a contest among these leading Hollywood producers, each with a distinct style and all in search of a hit. **By Diana Loevy**



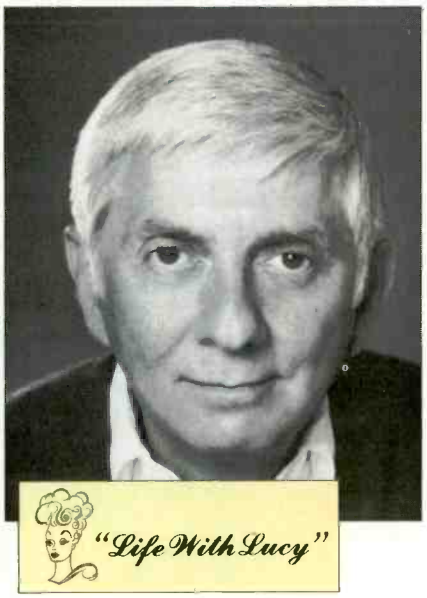
DESIGNING WOMEN

HARRY THOMASON AND LINDA BLOODWORTH-THOMASON

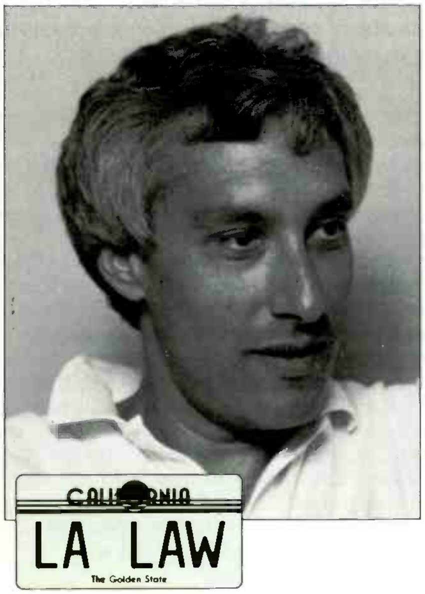
For Harry Thomason and Linda Bloodworth-Thomason, a husband and wife team, producing *Designing Women* has been an experience in coming home. Both are southerners, and their show about four spunky southern women is, in part, their answer to a Hollywood establishment that they feel has never understood the South very well. Bloodworth-Thomason drew the characters from her memories of growing up in Poplar Bluff, Mo. "Southerners celebrate their eccentricities," she says. "In the past, whenever I've pitched southern characters to the networks, they've said, 'I've never met people like that.' I tell them, 'Well, that's my family.' "

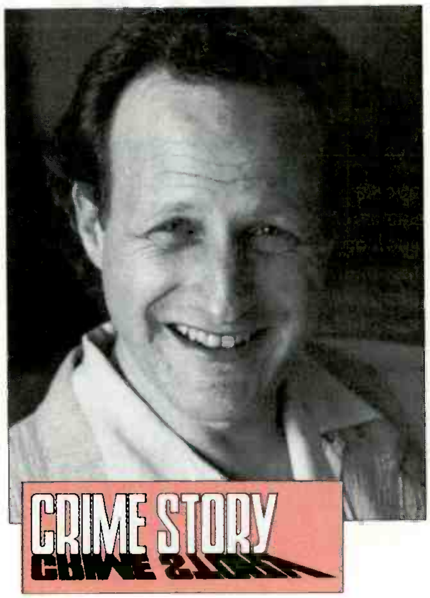
Designing Women, the couples' first major project together, merges the experience of both their careers. Harry Thomason produced the CBS miniseries *The Blue and the Gray* and ABC's *The Fall Guy*. Linda Bloodworth-Thomason has written for *M*A*S*H* and *Rhoda*, and was the executive producer for last season's Robert Wagner series, *Lime Street*. *Designing Women*'s Dixie Carter and Delta Burke worked with Bloodworth-Thomason on the CBS series, *Filthy Rich*. *Designing Women* still faces a few difficult hurdles. The pilot will not be the first to air because CBS wanted to see more "positive" male characters and fewer jokes about sex. And, because of high expectations for the show, the Thomasons are under tremendous pressure to come up with successful scripts.

THE NEW SEASON



ROB LEWINE





AARON SPELLING

Aaron Spelling has been closely associated with ABC for so long that around Hollywood, the network is sometimes referred to as "Aaron's Broadcasting Company." The wave of hits he produced in the 1970s—including *The Mod Squad*, *Charlie's Angels* and *Hart to Hart*—played a large part in ABC's surge in popularity. Over the past three years, however, ABC's fortunes have waned, a reversal at least partially caused by the network's heavy reliance on Spelling shows. Spelling's exclusive contract with ABC ends in 1988. His company went public this summer because Spelling wants to raise enough funds to begin developing shows for the other networks and feature films. In the meantime, Spelling will be riding on past success. His only new series this fall, *Life With Lucy*, stars Lucille Ball in her first network encounter since *The Lucy Show* ended in 1974. Gary Morton, who has been married to Ball for 25 years, is the show's executive producer. Morton and Spelling have a 22-episode commitment from ABC and did not have to submit a pilot, two conditions that convinced Ball to stage a comeback. Bringing the aging Ball back to television may prove risky, however. The show will be untested when it debuts this month, and Lucy's following may be restricted to older women.

STEVEN BOCHCO

Emmy-laden Steven Bochco has developed a distinct style in a business that has always had difficulty recognizing that such a thing exists. Like *Hill Street Blues*, which he co-created and produced, this year's *L.A. Law* is another "rich stew"—Bochco's term for the density of plot and character in his shows. Bochco badly needs a winner this year. Last year, after five years with *Hill Street*, he was forced out by MTM Productions. His previous network outing, *Bay City Blues*, was canceled after only a few episodes in 1983. (Prior to that, Bochco was a story editor for *Colombo* and *McMillan and Wife* and produced *Delvecchio*.) Whatever success *L.A. Law* enjoys, Bochco will share the credit with two other people instrumental in its creation. NBC chairman Grant Tinker had long wanted to see another lawyer show on the air and supported the program during its two-year development. Terry Louise Fisher, a lawyer and screenwriter (she won an Emmy for *Cagney & Lacey*), co-wrote the series. Now Bochco's biggest concern is keeping Tinker's successor happy. This maybe the series' biggest challenge. Says Bochco: "I don't think that *L.A. Law* is too complex, but probably the network does. They get nervous about having to track more than one or two things at a time."

MICHAEL MANN

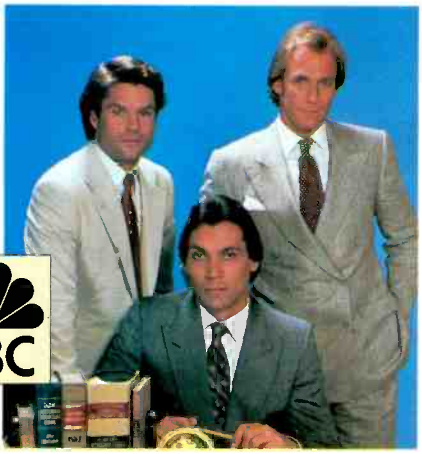
Producer Michael Mann has made a career out of antisentimental, stylized crime stories. *Thief*, his critically acclaimed movie thriller starring James Caan, and his NBC series *Miami Vice*, with its rich cinematography and theme music, have established an entirely new look for television and movie treatment of crime. Mann's new series for NBC, *Crime Story*, is a glamorization of the hard-boiled milieu of Chicago cops, using many of the techniques he has already introduced. With the series, Mann hopes to develop a continuous form of television where, if all the episodes are put together, "you've got one hell of a 22-hour movie." Mann will be lucky to see just half that number of episodes broadcast, however. In its present time slot (9 P.M. Tuesday), *Crime Story* faces stiff competition from ABC's popular *Moonlighting*. Mann is worried, but he's been there before. When *Miami Vice* began its run in 1984, its scheduling at 10 P.M. on Friday was considered a disaster—young audiences wouldn't be home at that hour. The audience came home after all. In this sense, prime time success is a bit like random crime itself. Says Mann, "It all gets down to, you never know."

Diana Loevy is the editor of TV Update, *a United Media publication.*

FOCUS

The Ones to Watch

The networks are introducing 24 new programs this fall. Past experience shows that eight out of ten will fail. Reporter Diana Loevy has screened the pilots and sets the survival odds on the nine most interesting shows.



L.A. LAW

Steven Bochco brings his usual well-drawn characters and stiletto-sharp writing to *L.A. Law*, a series about a white-shoe law firm where egos collide and cases run the gamut from murder to a tax audit. At the center of the drama is heartthrob Harry Hamlin, a young partner with a conscience. Corbin Bernsen plays a handsome, divorce attorney with a barely controlled libido, and Jill Eikenberry an idealistic, sharp-tongued associate who clashes with the firm's bullet-headed managing partner, played by Alan Rachins. Bochco's show is a cool, nighttime drama that crisply captures the yuppie *Zeitgeist*. **The Odds:** Excellent. With the Bochco sensibility in full flower, *L.A. Law* has a very strong chance for survival. The scheduling can't hurt either: Fridays at 10 P.M., just after highly-rated *Miami Vice*.

DESIGNING WOMEN

In *Designing Women*, four attractive, fortyish post-belles are partners in an Atlanta decorating business. They have few clients and therefore plenty of time for bold, double-entendre-laden repartee. Dixie Carter has Bette Davis delivery and some witty writing to show it off, but she's matched line-for-line by quirky Annie Potts, femme fatale Delta Burke and Jean Smart as the office headmistress. **The Odds:** Good. The show has plenty of pizzazz and an excellent time slot (Mondays, 9:30 P.M.), hammocked comfortably between *Newhart* and the popular *Cagney & Lacey*.

HEAD OF THE CLASS

Howard Hesseman, the beloved Dr. Johnny Fever of *WKRP in Cincinnati*, plays a substitute teacher in *Head of the Class*. Of course, this TV class is just a social laboratory of misfits—there's the obnoxious genius, the nerd, fatso and the cool dude with John Travolta genes. Hesseman wins them over with his caring, cool finesse. **The Odds:** Good with some "ifs." The show is formulaic, but if Hesseman keeps up the good work and if the kids get the chemistry just right, the sitcom could become popular among adolescents stealing time from their homework. In its time slot (Wednesdays, 8:30 P.M.), the show has an appropriate lead-in from *Perfect Strangers* and may have good chances for survival this season.

THE NEW SEASON

ALF
Mischievous but lovable *ALF*, which stands for Alien Life Form, first crashes his spacecraft into the home of a befuddled suburban family and then cons his way into their hearts. Max Wright (*Buffalo Bill*) plays the father and ALF's chief foil. Naturally, there's a son, daughter and a mom, who, naturally, disapproves of ALF's penchant for beer raids on the fridge. ALF, with his winning bravado and Neil Simon one-liners comes off as a Muppet from the Borscht Belt. **The Odds:** A toss-up. ALF's earthbound lifespan (Mondays, 8 P.M.) may be all too brief if viewers reject the show as just half-baked *E.T.* or too offbeat. But ALF's merchandising potential is awesome.

CRIME STORY
The cops wear fedoras, the streets are rain-soaked and the production crew seems to work only at night on *Crime Story*, an atmospheric elegy to the tough cops of Chicago's Major Crime Unit and the mobsters they're after. *Crime Story* begins in Chicago, 1963, and wraps up in Las Vegas, 1980, by the season finale. Dennis Farina plays an impassive, smoldering Lt. Mike Torello and Stephen Lang plays the prosecutor. As in *Miami Vice*, the co-stars are expensive cars, the soundtrack is heavy on the rock and roll and the producer is Michael Mann. **The Odds:** Touch and go. Mann's dark side may be too tough for mass consumption, and in its present time slot (Tuesday, 9 P.M.) opposite ABC's popular *Moonlighting*, *Crime Story* may be shepherded right off the schedule.

TOGETHER WE STAND
Elliott Gould is the dad and Dee Wallace Stone the mom in *Together We Stand*, a domestic comedy that never gets beyond the polyglot complications of plot. They have a 15-year-old adopted daughter, a 12-year-old natural son, and are agonizing over adopting a third child, an Asian-American teenager who turns out to be just another sitcom brat. Six-year-old Natasha Bobo joins the family in the premiere's closing moments. Gould, ever neurotic, is not cut out for warm and wonderful dad-hood and should have beat it to the nearest Robert Altman set. **The Odds:** Slender. CBS probably gave the show a lead-in slot (Wednesdays, 8 P.M.) because it tested well, but its chances for survival against ABC's *Perfect Strangers* and NBC's *Highway to Heaven* are marginal at best.

KAY O'BRIEN
Kay O'Brien, is a medical drama with a new character twist: a second-year surgical resident who is not only a woman but one who can handle practically anything. As Kay—"Kayo" to her friends on the wards—the brisk and appealing Patricia Kalember weathers every crisis in the operating room, plays piano at the local jazz bar and frets over her male nemesis, a fourth-year resident chauvinist. Jan Rubes plays the hospital's chief surgeon and Kayo's authority figure. **The Odds:** Fair to good. *Kay O'Brien* (Thursdays, 10 P.M.), with a fairly strong lead-in from *Knot's Landing*, and scheduled against male-oriented competition on the other networks, has more than a fighting chance of making it.

SLEDGE HAMMER!
Sledge, aka *Sledge Hammer!*, is the kind of guy who talks to his gun and takes target practice in his apartment. He is a bumbling Mad Bomber, and David Rasche plays him to spacey perfection. When Sledge bazookas an entire building to get a lone sniper, he says, "I think I got him." **The Odds:** Poor. This Dirty Harry/Rambo send-up is right on target, but Sledge may have a hard time forcing his way into living rooms (Fridays, 9:30 P.M.), since Don Johnson and Larry Hagman got there first. Sledge's only hope is a time change.

THE ELLEN BURSTYN SHOW
In *The Ellen Burstyn Show*, Burstyn plays an appealing writer-in-residence at a Baltimore college who shares a house with her acid-tongued mom (Elaine Stritch), a sniveling daughter (Megan Mullally) and grandson (Jesse R. Tendler). Burstyn is at once commanding and vulnerable, but some of the show's best moments belong to Stritch. **The Odds:** Fifty-fifty. Much is made of the multi-generational mayhem, but Burstyn is a formidable talent and because of her the show has a good chance of making the grade. The time slot (Saturdays, 8:30 P.M.) backs up the new *Life With Lucy* series, guaranteed for 22 episodes, and together the two might attract a strong following among older audiences.

Madison Avenue's Morning Line

You may do just as well staring into a crystal ball, but the people whose votes count most—ad agency program buyers—have screened the shows and made their picks for the fall season. When rating a show and projecting its audience share, Madison Avenue considers many criteria beyond a program's dramatic appeal: its time slot and competition, the lead actor's popularity, the producer's track record and whether the "formula" has already proved itself. The result can be a remarkable uniformity of opinion. Executives of ten top ad agencies, for example, almost unanimously agree that NBC's *L.A. Law* and *Amen* are this year's likeliest hits. CBS's *My Sister Sam* and *Designing Women* are expected to benefit from that network's strong Monday night lineup. Everyone seems to agree that CBS's *The Wizard of Elm Street* and ABC's *Heart of the City* are duds. (ABC's *Last Electric Knight* and NBC's *Easy Street* may be closely following in their footsteps.) And all predict NBC will win the season overall, with CBS in second place and ABC in third, giving number two a run for its money. Among young adults, ABC could edge out CBS for second place.

There is more disagreement, however, on so-called borderline shows with audiences that are more difficult to predict. NBC's *Matlock*, ABC's *Jack and Mike*, *Life With Lucy* and *The Ellen Burstyn Show*, and CBS's *Kay O'Brien* and *Downtown* all fall in that category, with varying predictions about their future. Depending on who is asked, NBC's *ALF*, ABC's *Sledge Hammer!* or ABC's *Head of the Class* could be the season's sleeper. These are judgments based largely on cold analyses. But the ad execs are intensely personal viewers too, and they offer the following hunches and reactions to this season's lineup of new shows.

NBC's *ALF* is "poorly executed," says **Paul Isacsson,** executive vp of Young & Rubicam. "ALF looks like a muppet, sounds like a muppet—he is a muppet." Nor does Isacsson like CBS's entry into the "family" category, *Together We Stand.* "Elliot Gould turns people off—and they turn him off." He is also one of the few detractors of *L.A. Law.* "I didn't like any of the people in it," says Isacsson. "They are all flawed humans—scuzzballs, sleazy lawyers."

Even though she gives the show only a 15 share, **Virginia Shields** of Cunningham & Walsh says that ABC's *Starman* is one of her favorites. "I just have a feeling about that show." Scheduling may contribute more to a show's success than its execution, but an attractive time slot doesn't always guarantee a hit. Shields estimates a 24 share for CBS's *My Sister Sam*, but feels it should be doing even better given the network's strong Monday night lineup. "I hated the sister in that show. If she were mine, I'd kill her."

But hold on. **Mel Conner,** senior vp at DFS-Dorland, *liked* the sister in *My Sister Sam.* "We found her a bright light among all the characters we saw." Conner is equally optimistic about the schedule in general. "We had good feelings about the shows—there really were no turkeys." But he, like Paul Isacsson, has reservations about *L.A. Law*: "Audience familiarity with the characters is lacking," he says.

CBS will have the most trouble this year, says **Len Watson** of Leo Burnett Co. "They have no hands-down, sweep-the-time-period winners." Watson believes that the general tone of this year's schedule reflects the mood of the times. "I hate to use that God-awful word 'conservative,' but the programs are drifting in that direction."

Wes Dubin of DDB Needham Worldwide agrees. He finds the 1986–87 schedule reminiscent of prime time fare of the early 1960s—violent cop shows, news and information programs, and comedy. "We often say that television mirrors society, so it's not surprising that the schedule this year mirrors the late 1950s and early 1960s."

This is also the era of the "quick kill," says **John Sisk,** senior vp at J. Walter Thompson. One rating point can be worth $91 million to a network over the course of a year, and new shows have to hit hard and fast to make it, which denies many worthy programs the chance to build an audience gradually. At least two shows, *Sledge Hammer!* and NBC's *Our House*, may run into trouble for this reason.

Bill Croasdale's strongest opinions are about the shows he doesn't like this year. Croasdale, senior vp at BBDO, says CBS's *The Wizard of Elm Street* has "sophomoric writing and the acting is grade school. It points up the dearth of good development at CBS." The pilot for CBS's *Designing Women*, says Croasdale, "was too raunchy and there were too many jokes about sex. It was demeaning to males."

Cecilia Capuzzi

Home Sweet Clone

Hollywood hath decreed: America is in a family way. **By Lewis Grossberger**

Suppose you're a big-time TV executive and the new season is charging right at you and you've got to fill it full of television. What to do? First, according to hallowed tradition, you note last season's hits: *The Golden Girls*, *Moonlighting*, the exceptionally well-dressed *Miami Vice*. But most of all, you note *The Cosby Show*—so incredibly, monstrously, fabulously popular that NBC now routinely inserts "the phenomenal" before it.

Now all you have to do is figure out exactly what made *The Cosby Show* the mightiest face-puller of all. The first answer to occur to the unsophisticated Joe might be: Bill Cosby. After all, Cosby has been polishing that material about bickering hubbies, wives and kids for decades. So now he shoves it before the cameras, fleshed out with supporting cast and plots, and he shoves himself, the Cos, to center stage and lets the public rediscover why it always liked him.

This is why the average Joe will never be a big-time TV executive.

The experienced exec doesn't waste a second on such career-crushing, dead-end thinking. Because if Mr. Exec assumes *The Cosby Show* rises and sets on account of Bill Cosby himself, he must face the stark, chilling fact that *Cosby* cannot be successfully Xeroxed, since the basic ingredient is unavailable.

No. Mr. Can-Do-Heads-Up-Hotshot-Honcho fastens immediately on the correct solution, i.e., the one that will enable him to continue functioning in his environment: *The Cosby Show* succeeded because it was *about* something. It was about . . . Family.

Yes, America must be crying out for warm *family* comedies, traditional *family* values, wise dads, sweet moms, adorable tots, wisecracking-but-vulnerable teens, heartwarming pets, crusty-on-the-outside-but-lovable-on-the-inside grandpas. America wants clean-cut clans of verbal, upscale, telegenic men, women and children who bicker comically for 19 minutes then fall into each other's arms for the big-hug-fadeout-following-the-solving-of-the-weekly-life-problem-that-triggers-the-vital-"aw"-response (the latter being that part of the show where the studio audience, en masse, its heartstrings atwang, goes "Awwwwwww").

***Standard issue:** Bill Cosby and knockoff dad Elliott Gould sport comfy sweaters, homey grins and adorable black daughters.*

Yes, Mr. Exec declares triumphantly, "America is in a family way. TV, take us home." And that is how we now find ourselves sitting in front of things like CBS's *Together We Stand*.

Remember when Elliott Gould played smirky anti-establishment types in almost every film made? Now he's Everydad. Not only has Gould been handed Cosby-issue sweaters and assumed the Cosby purse-lipped grin, he and his TV wife, though manifestly Caucasian, have acquired another Cosby asset, a black daughter. Adoption explains this adorable tot, as well as a wisecracking Asian-American teenage son. Two ethnically diverse orphans comically bickering with the other family members give *Together We Stand* awesome awwww potential, plus heavy hugability.

Of course not every new show can attain *Together*'s duplicative perfection. Some, unfortunately, tamper with the formula, like ABC's *The Ellen Burstyn Show*. True, the proprietors have provided another clean-cut, attractive, upscale family, but they've also stumbled into shocking revisionism. Instead of a father figure, the star is a mom. A mateless mom, at that. Instead of cozily nuclear, her family is extended, a four-generation job. Burstyn's daughter, having left her husband, moves into Mom's place bringing adorable son and puppy. And Burstyn has a mother, too, one with the bass tones of Bea Arthur and the dirty mouth of Estelle Getty. (I viewed an episode of *The Golden Girls* this year, and immediately sensed that many, many dirty old ladies lay in my TV future.)

Thus we see evidence that some weak-kneed TV execs lack faith. Rather than trust in the rule of the Cos, they hedge, adding elements from other hits, resulting in dangerous clone mixing. (This adulterate practice, if left unchecked, eventually leads to the heartbreak of originality.)

Sometimes these multi-clones get very multi indeed. Take NBC's *ALF*, a mixture of *Cosby*, *Mork and Mindy*, *The Muppet Show* and *E.T.* First, you have your basic UAF (upscale adorable family). So far, so good. Heading it is your basic FF (father figure), played by Max Wright, a thinking man's Don Knotts. But added to the Cosby base material is Alf, a hairy orange visitor whose UFO crash-lands on the family garage. Now Alf may look like an alien puppet to the uninitiated, but no serious TV watcher will be fooled. We know he's just another smartass sitcom teenager whose uncouth ways make for comedic bickering till the climactic laugh-hug—awwww. (Incidentally, the *ALF* episode I witnessed actually contained obeisance to the Progenitor. "If we don't respect the rules we make," Wright lectures his kids, "we're not going to respect each other." I mean, have we learned nothing from watching *The Cosby Show*?)

Similarly, ABC's *Head of the Class* disguises its family as a school class.

Lewis Grossberger left his family at the age of six to become a writer. He hasn't looked back since.

Had enough? *The Cos showed us that America is crying out for family. So the can-do execs at NBC birthed* ***ALF****— a sitcom with a wise dad, sweet mom and an adopted Alien Life Form brat.*

Howard Hesseman is sheepdog to a flock of eccentric superbrains. Everyone is a type. There's a nerd, a shy girl, a fat kid, a sexpot, a prodigy, a hood. Disappointingly, there is no student alien, but if ratings lag a UFO could be made to land on the school roof, disgorging a teenage muppet with high SAT scores.

In a switch on the usual child-parent tension, the fath . . . uh, teacher helps the grinds learn to worry less about their grades and more about sex, drugs and rock 'n' roll. At least, I think he does. I became so fixated on Hesseman's hairdo (what they call, I believe, a rat's tail) I was distracted.

Of course, the family need not be restricted to comedies. NBC's *Our House* is an hour drama that my semi-infallible antenna tells me is a can't-miss. (I mean what family-values freak can resist *our house*?) Wilford Brimley, soon to be a *household* word, plays just about the most perfect crusty-but-lovable-horseshoe-pitchin'-model- railroadin'-plain-talkin'-no-nonsense-spunky-grandpa in the history of geezerdom. This time, widowhood (a device as important as adoption) deposits daughter-in-law, her adorable modern-kids-with-problems plus sad-eyed basset hound upon Chez Gramps. Not only hugs are in the offing but actual moisture. America, start your tear ducts.

Get ready for a season of intergenerational bickering and problem-solving hugs. Ladies and gentlemen, start your tear ducts.

Sadly, though, even the hottest of hot-shot execs go completely off the rails and forget the guiding principles that built network television. An illustration is ABC's *Jack and Mike*, formerly *My Kind of Town* (a promising title that, summoning up visions of a whole townful of *Our Houses*). But who are Jack and Mike? A pair of dreary—sorry, but there's no other word for it—yuppies, with not a single kid between them. What's more, these deviates—played by Shelly Hack as a newspaper columnist and Tom Mason as "a young entrepreneur on the rise"—work so hard they have no time to get together for even a hug. (Not that this is an acceptable excuse for a lack of progeny, what with adoption, widowhood and space travel all within reach.) They eat out a lot, too. And instead of spending her time bickering comedically amid family warmth, Hack runs around chasing rapist/murderers.

If ABC thinks it can bag a vast yuppie audience with this abomination, it has tragically erred. As far as I can tell, this group is less interested in watching other people eat green fettucine and General Tang's Fascinating Flavor Chicken than in going out to eat it themselves, then returning home to watch *Leave It to Beaver* and *Father Knows Best* on their VCRs to learn of the historic TV families that made this country great. ●

First-run Syndication Sitcoms

The explosive growth of independent television stations has created a seller's market for syndication rights to off-network shows, with prices rising so quickly that many independents can no longer afford the fees. To meet the growing demand for affordable programming, many producers are now creating original shows for the independent station market. Many of the new shows offered this season are revivals of popular sitcoms with new episodes and casts. In addition to the first-run syndication shows that appeared last year, the nine shows listed below will be aired primarily on independent stations this fall.

Charles in Charge

Aimed at the teen and young female audience, this series is based on the original show that ran on CBS through the '84-'85 season. Starring Scott Baio, Willie Aames.

EPISODES '86-'87	PRODUCTION CO.
26	MCA/Tribune
MARKETS*	**DISTRIBUTION COMPANY**
NA	MCA

The New Gidget

Inspired by the original ABC series with Sally Field, this revival stars Caryn Richman and Dean Butler.

EPISODES '86-'87	PRODUCTION CO.
22	Columbia
MARKETS*	**DISTRIBUTION COMPANY**
100	Colex

Mama's Family

Built on skits from CBS's popular *Carol Burnett Show*, this revival is targeted to fans who kept the original alive in second-run syndication. Starring: Vicki Lawrence, Ken Berry.

EPISODES '86-'87	PRODUCTION CO.
25	Joe Hamilton w/Lorimar-Telepictures
MARKETS*	**DISTRIBUTION COMPANY**
121	Lorimar-Telepictures

9 to 5

Based on the 1980 film, the original series failed on ABC. Fox hopes to revive it among young evening audiences with a "contemporary, issue-oriented format." Starring: Sally Struthers, Valerie Curtin, Rachel Dennison.

EPISODES '86-'87	PRODUCTION CO.
26	20th Century Fox
MARKETS*	**DISTRIBUTION COMPANY**
61	20th Century Fox

Off the Wall

Fries is marketing this comedy magazine show as attractive to young viewers who liked *Saturday Night Live*. It will have celebrity guest hosts and an ensemble cast, featuring Joe Baker (left).

EPISODES '86-'87	PRODUCTION CO.
26	Gaylord
MARKETS*	**DISTRIBUTION COMPANY**
49	Fries Distribution

One Big Family

Lorimar hopes to capitalize on Danny Thomas's popularity in this original family-oriented sitcom starring Thomas and Anthony Starke.

EPISODES '86-'87	PRODUCTION CO.
25	Witt/Thomas w/Lorimar-Telepictures
MARKETS*	**DISTRIBUTION COMPANY**
128	Lorimar-Telepictures

Silver Spoons

Cancelled by NBC last season after four years, the sitcom will resume production of 24 new episodes for first-run syndication with the option to run with the originals in a 116-episode strip. Starring: Ricky Schroder, Joel Higgins.

EPISODES '86-'87	PRODUCTION CO.
24	Embassy
MARKETS*	**DISTRIBUTION COMPANY**
60	Embassy

Throb

This original sitcom about a small record company has sold well on the syndie market this year. Starring: Diana Canova, Jonathan Prince.

EPISODES '86-'87	PRODUCTION CO.
24	Taft
MARKETS*	**DISTRIBUTION COMPANY**
112	Worldvision

What A Country!

This series about immigrants in an English-language class is based on the BBC's successful *Mind Your Language* and stars comedian Yakov Smirnoff.

EPISODES '86-'87	PRODUCTION CO.
26	Viacom/Tribune in association w/ Prime Time
MARKETS*	**DISTRIBUTION COMPANY**
60	Viacom

*MARKET NUMBERS AS OF SECOND WEEK IN JULY, 1986

COMPILED BY MATTHEW GRIMM

The Returning Shows

Prime time series are typically licensed to the networks for less than they cost to produce. The profits for television programs are in the so-called "back end," which refers primarily to domestic syndication. Usually series that run four or five years on the networks will amass a sufficient library of episodes for syndication. So the renewal of a series, season after season, is of crucial importance to its producers. Here, *Channels* charts where each of the returning network programs stands on the route to a payoff in syndication. The estimates on program costs and deficits are based on information from distribution and studio sources.

	Distribution Company	Network	Seasons on air	Episodes end of '85-'86	1st season in Syndication	Stations w/ synd. rights§	Production cost (est.)	Deficit per episode (est.)	Exec. Producer(s)
MCA/UNIVERSAL									
Amazing Stories	MCA/Universal	NBC	1	26	—	—	$ 800,000	$200,000	Steven Spielberg
Equalizer	MCA/Universal	CBS	1	21	—	—	650,000	100,000	Joe Boston (Producer)
Magnum, P.I.	MCA/Universal	CBS	6	127	Fall '86	148	1,000,000	None	Donald Bellisario
Miami Vice	MCA/Universal	NBC	2	44	Fall '89	—	1,000,000	400,000	Michael Mann
Murder, She Wrote	MCA/Universal	CBS	2	44	—	—	725,000	100,000	Peter S. Fischer
Simon & Simon	MCA/Universal	CBS	5	104	Fall '87	95	1,000,000	None	John G. Stephens, Richard Chapman
LORIMAR									
Dallas	Lorimar	CBS	9	217	Fall '84	126	1,400,000	None	Phil Capice
Falcon Crest	Lorimar	CBS	5	127	Fall '86	51	1,000,000	None	Earl Hamner, Michael Filerman
Knots Landing	Lorimar	CBS	7*	161	Fall '85	103	1,000,000	None	David Jacobs, Michael Filerman
Perfect Strangers	Lorimar	ABC	1*	6	—	—	300,000	30,000	Thomas L. Miller, Bob Boyett, Dale McRaven
Valerie	Lorimar	NBC	1*	6	—	—	300,000	50,000	Thomas L. Miller, Bob Boyett, Tony Cacciotti
PARAMOUNT									
Cheers	Paramount	NBC	4	95	Fall '87	140	560,000	None	Les Charles, Glen Charles, James Burrows
Family Ties	Paramount	NBC	4	98	Fall '87	155	475,000	None	Gary David Goldberg
MacGyver	Paramount	ABC	1	22	—	—	650,000	100,000	Henry Winkler, John Rich
Webster	Paramount	ABC	3	77	Fall '88	130	450,000	None	Bruce Johnson
WARNER BROS.									
Growing Pains	Warner Bros.	ABC	1	22	Fall '89	—	325,000	None	Michael Sullivan, Dan Guntzelman, Steve Marshall
Night Court	Warner Bros.	NBC	3*	57	Fall '88	88	500,000	None	Reinhold Weege
Scarecrow/M. King	Warner Bros.	CBS	3	66	Fall '88	—	855,000	100,000	George Geiger
Spenser: For Hire	Warner Bros.	ABC	1	22	—	—	650,000	50,000	John Wilder
EMBASSY									
Facts of Life	Embassy	NBC	7*	153	Fall '86	118	550,000	None	Jack Elinson
Who's The Boss	Embassy	ABC	2	48	Fall '89	—	450,000	50,000	Blake Hunter, Martin Cohan
227	Embassy	NBC	1	22	Fall '90	—	350,000	None	Dick Bensfield, Perry Grant

* - indicates mid-season replacement § - As of second week in July, 1986.

THE NEW SEASON

	Distribution Company	Network	Seasons on air	Episodes end of '85-'86	1st season in Syndication	Stations w/ synd. rights[a]	Production cost (est.)	Deficit per episode (est.)	Exec. Producer(s)
MTM									
Hill St. Blues	MTM	NBC	6*	124	Fall '87	52	$1,300,000	$250,000	Jeffrey Lewis, David Milch (Co-Producer)
Newhart	MTM	CBS	4	91	Fall '88	43	600,000	50,000	Dan Wilcox
St. Elsewhere	MTM	NBC	4	92	Fall '87		1,000,000	200,000	Bruce Paltrow
SPELLING									
Dynasty	20th Cen. Fox	ABC	6*	145	Fall '85	69	1,200,000	300,000‡	Aaron Spelling, Douglas Cramer in Association w/ Richard and Esther Shapiro
Hotel	Warner Bros.	ABC	3	74	—	—	800,000	100,000‡	
The Colbys	Warner Bros.	ABC	1	24	—	—	700,000	50,000‡	
CANNELL									
Hunter	MCA/Universal	NBC	2	44	—	—	800,000	75,000	Stephen J. Cannel, Frank Lupo, Roy Huggins
The A Team	MCA/Universal	NBC	4*	72	Fall '87	105	900,000	150,000	Cannell, Lupo, John Ashley (Co-EP)
REEVES ENT.									
Gimme A Break	MCA/Universal	NBC	5	112	Fall '85	119	450,000	None	Mort Lachman
Kate & Allie	MCA/Universal	CBS	3*	52	Fall '88	70	450,000	25,000	Mort Lachman, Merrill Grant
CBS Entertain.									
Twilight Zone ∓	CBS	CBS	1	22	—	—	900,000	100,000	Philip DeGuere
CARSEY-WERNER									
The Cosby Show	Viacom	NBC	2	50	Fall '88	—	550,000	100,000	Bill Cosby, Marcy Carsey, Tom Werner
COLUMBIA									
The New Mike Hammer	Columbia	CBS	2†	24	—	—	600,000	100,000	Jay Bernstein
WITT/THOMAS/HARRIS w/ Touchstone									
The Golden Girls	Buena Vista	NBC	1	26	—	—	450,000	None	Paul Junger Witt, Tony Thomas, Susan Harris (Creator)
MICHAEL LANDON									
Highway To Heaven	World vision	NBC	2	49	—	—	850,000	100,000	Michael Landon
ORION									
Cagney & Lacey	Orion	CBS	4*	81	Fall '87	17	950,000	100,000	Barney Rosenzweig
PICTUREMAKER									
Moonlighting ∓	ABC-TV	ABC	2*	24	—	—	1,000,000	250,000	Glen Gordon Caron
20th Cen. Fox									
Mr. Belvedere	20th Cen. Fox	ABC	2*	29	—	—	450,000	50,000	Frank Dungan, Jeff Stein, Tony Sheehan
TAFT ENTERTAIN.									
You Again?	Worldvision	NBC	1*	13	—	—	350,000	None	Sarah Lawson

‡ - Spelling has a deal with ABC whereby the network agrees to offset production deficit

∓ - FCC rules limit program ownership by the three major networks. NBC owns no prime time entertainment shows this season. ABC and CBS own one each.

† - an early hiatus last season

COMPILED BY MATTHEW GRIMM

Joan of Bark

Carson conducts his interviews as if he were at the country club. Rivers does hers from the kitchen table, and that may be her greatest strength—or weakness. *By Michael Pollan*

In the midst of her noisy feud with Johnny Carson last spring, Joan Rivers wrote in *People* magazine that she had seen a confidential list of proposed successors to Carson. To Rivers's astonishment, her name wasn't on it. NBC had cut her out of the will! Despite her remarkable success as Carson's "permanent guest host" since 1983, the network had concluded that Rivers was not worthy to inherit the *Tonight Show*.

It has to make you wonder. What does NBC know that Rupert Murdoch—who has made the *Late Show* hosted by Rivers the cornerstone of his new Fox Television Network—does not?

On paper at least, Murdoch's faith in Rivers seems justified. Right now Rivers is one of the country's hottest performers. Fox reasons that as a late-night talk show host, she is that rare thing in show business: a proven quantity. Who else stands a better chance of beating Johnny at his own game? In fact, as Rivers boasted in her mid-feud appearance on *Donahue* ("If NBC wants to play dirty, the peacock's gay"), the weeks that she substituted for Carson drew bigger audiences to the *Tonight Show* than Carson himself does in a typical week. (NBC disputes this on the grounds that a Carson week includes a repeat show, which drags down his average.) If ever an heir to the desk were apparent, Joan Rivers must be it.

What could have driven NBC to such a different conclusion? Perhaps the network simply felt that Joan does not project the right image. But more likely—and more alarmingly for Murdoch—NBC recognized that Rivers's success has everything to do with the context in which she has been performing, and that her popularity will not necessarily carry over into a nightly show of her own.

"Guest host" (a term that will surely stump classics scholars 1,000 years hence) is a distinct role, and Rivers played it better than anyone. She seemed to understand that her appearances on the *Tonight Show* should be special occasions for the audience, refreshing breaks from the workaday routine of Johnny and Ed. She signaled this by wearing party dresses, booking extra (and usually hotter) guests and by attacking her stint with a level of manic energy an everyday performer (and perhaps also an everyday audience) could not handle. Joan would explode onto the *Tonight Show* stage, clapping like a performing seal and shouting her way through a high-velocity monologue as if she had 60 seconds of airtime rather than 60 minutes.

Joan brought a frenetic party atmosphere to the *Tonight Show*; for one week a month, routine went out the window and anything seemed possible. She specialized in delicious breaches of television etiquette: asking Joan Collins, after seeing her pictures in *Playboy*, whether she waxed or used a depilatory; or pointing at her own décolletage and asking the audience, "Doesn't this dress look fabulous on me? It's a Calvin Klein. I wish it were mine, but I have to return it." Her signature line—"Can we talk?"—announced that what we were about to get wasn't normal television. Remember what a kick it was in grade school when the teacher got sick and you had a substitute? Everybody knew no serious work would get done and, just possibly, all hell would break loose. Party rules went into effect. For three years Joan has been late-night television's substitute teacher.

Part of the reason this substitute has been so popular is that Johnny has been such a dull teacher lately. The show feels like it's on automatic pilot. Every night the same uninspired shtick: the Karnac bit, the jokes about alimony, Ed's tippling and Doc's crazy clothes. Even his new shows feel like repeats, unintended exercises in Carson nostalgia. And the guests are as familiar as the gags. A show as powerful as the *Tonight Show* has its pick of the most interesting guests in Hollywood, but Carson and his producers content themselves with a nightly parade of the sort of overexposed second-raters you expect from Merv or even Joe Franklin. How many times a year can they book Pete Fountain or Pete Barbutti? The Carson show is tired.

No one understands this better than Joan. Her show holds up the perfect foil to Johnny's and in the context of his blandly familiar routine, worn smooth by a quarter century behind the desk, her rough edges sparkle. Rivers has become the anti-Carson. Where he is scrupulously polite, she is bitchy; where he is low-key, she is overheated; where he is Midwest, Waspy and proper, she is urban, ethnic and gossipy. Carson conducts interviews as if he were at the country club; Rivers does hers at the kitchen table.

If Joan's persona shines in the Carson context, her brand of comedy works equally well in the context of the times. Rivers is the perfect Reagan-era comedian, not simply because she happens to be a Reaganite (Lily Tomlin once upbraided her on the air for "sucking up to Nancy and Ronnie"), but because her humor suits the moment so well. If Reagan has succeeded in giving materialism and jingoism a good name, Rivers has done much the same for a host of other sentiments previously considered less than noble. Much of her comedy comes from the undeniable pleasure of venting taboo emotions, of mentioning the unmentionable—or at least seeming to. "Grow up!" Joan challenges us. She calls Liz Taylor a blimp, Eleanor

Michael Pollan, a contributing editor of Channels, *is executive editor of* Harper's Magazine.

ILLUSTRATION BY ROBERT RISKO

Roosevelt a dyke, Victoria Principal a dummy and Boy George the only queen in England who can dress.

Lenny Bruce trafficked in outrage too, and in *Enter Talking*, Rivers's recently published autobiography, she cites him as an important influence. But Lenny Bruce deployed stereotypes in his act to make a political point—to confront his listeners with their bigotry, and exorcise it with shame. When Joan fires a volley of gay jokes ("In San Francisco the first book they give kids in school is *Fun with Dick and Dick* . . . the fruit stands there sell people . . ." etc.), the humor, such as it is, comes from the naughtiness of bringing barroom clichés about homosexuals onto network television.

Rivers has turned Lenny Bruce inside out, transforming his assault on bigotry into little more than a license for its free expression.

Rivers claims that she intends her outrageousness to puncture our hypocrisy. Worthwhile, perhaps, if you worry about the hypocrisy of harboring prejudices we don't express in public. But is giving free rein to small-mindedness the answer? What's so great about an honest bigot?

Rivers is a cultural reactionary. The outrageousness of her style obscures the conventionality of her views: Beneath the loose talk lurks a middle-class prude. A woman who sleeps around is a tramp, and if a man doesn't give you a ring, he's taking you for a ride. The only basis for any accommodation between the sexes is a transaction, popularly known as marriage, in which financial security is exchanged for sex. But what about the sexual revolution? Oh, grow up!

This sort of social reaction is popular right now, but you have to wonder how long it can last, and whether Rivers can give Fox the long run it is counting on. Certainly Carson seems vulnerable. While he floats serenely on the currents of his own timeless popularity, Rivers is determined to plug into the audience and the moment. Her show will benefit from being live, as well as from her keen sense of what guests her audience wants to see (unless, as has been rumored, Johnny blacklists her guests, which could prove an insurmountable handicap). But to become a successful talk show host, a performer must be accepted as a daily fixture in our life, and Rivers, as trendy and refreshing as she is, may simply be too strong a taste for everyday consumption. Our most durable television performers, the anchors and talk show hosts we welcome into our homes every day, possess only a fraction of the personality Rivers does, and we probably want it that way. The medium abhors hot performers, Marshall McLuhan observed. The distinct look, the clearly defined personality, invariably wears out its television welcome. A television host is a piece of furniture in our lives, and even people given to loud clothing tend to play it safe when it comes to choosing upholstery. A substitute teacher is a gas, but imagine if she came back night after night after night. ●

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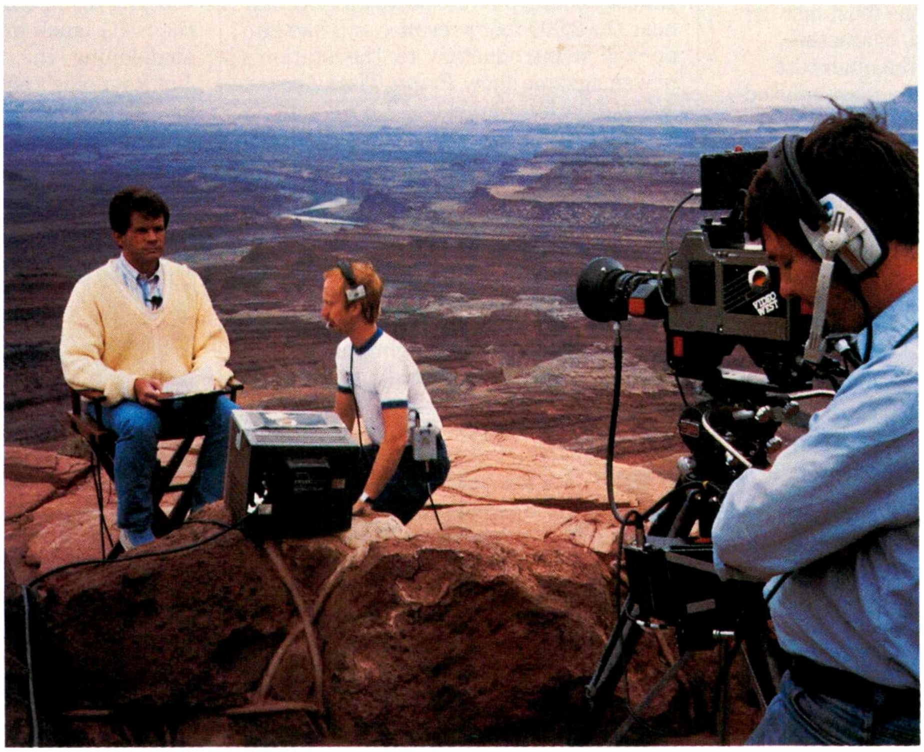
Live From Anywhere

Satellite news gathering looks the way atomic energy did in the 1950s—limitless in its potential, dangerous if abused, ultimately irresistible.

by Mike Clary



Salt Lake City anchorman Lindsay hosting a newsmagazine show live, atop Dead Horse Point, Utah: Do viewers demand SNG capacity from their local stations, or is the equipment used mainly for stunts?

A 12-ton Volvo truck with the name "Newsat 10" crunched over the gravel in the beach-front parking lot on Key Largo and huffed to a stop next to a palm tree. Brooke Marshall hopped out of the cab, yawned and stretched. It was barely 7:00 A.M. on a Wednesday, 11 hours before air-time on WPLG-TV, Miami. He had driven this ungainly-looking, $400,000 vehicle more than 32,000 miles in the past 14 months.

As a smaller van carrying WPLG reporter Jim Reynolds, a camera operator and two grips pulled into the lot, Marshall climbed into what looks like a giant upright freezer on the truck, which also carries a folded up, chalk-white satellite dish nearly 15 feet wide. Inside the cramped control room—kept meat-locker cool—Marshall twirled dials, hit switches, read gauges and jammed in a few plugs. Outside, the motorized dish unfolded like a Venus's-flytrap and faced the sky. Marshall was prepping for an exercise in live satellite news gathering—SNG—from a chunk of coral off the Florida coast.

Reynolds was preparing for work by stripping down to his swim trunks and slipping into scuba gear. A veteran newsman of 43, Reynolds was about to spend 24 hours in an underwater chamber doing what was probably the first live underwater interview, from Key Largo, at least. Marshall, inside the control room, turned on his transmitter, rotated the dish and watched the wavy lines on a spectrum analyzer. He was aiming the dish at the GTE Spacenet II satellite. After conferring by satellite link with a GTE technician in Maryland, the 37-year-old, red-haired electrical engineer from North Carolina stuck his head out the door to announce with a drawl: "The bird is saturated." A little after 6 P.M. and 22 feet underwater, Reynolds went live, interviewing marine researcher Ian Koblick. At almost the same

Mike Clary is a freelance journalist in Coral Gables, Fla.

instant that Reynolds introduced the report, viewers in some 175,000 homes in the Miami area could hear his invitation: "Come on down and I'll show you around. This is an absolutely interesting experience."

But was it news gathering? "I know, live can be overdone," says WPLG news director John Terenzio. "But when Jim came to me with this idea, it sounded compelling. Fresh and different. When something is happening, it's better to show it immediately."

In fact, nothing much was happening in Key Largo that called for a live report. By far the best segment of the crew's four-minute report was the videotape footage cameraman Tony Zumbado had shot hours earlier, which was inserted between Reynolds's live opening and closing to make what the boys in the truck call a "Sony sandwich."

Yet there is an undeniable cachet attached to live SNG. Not long ago, Salt Lake City station KSL sent its SNG truck to Dead Horse Point, a bluff with a breathtaking view high above the confluence of Utah's Green and Colorado rivers. KSL brought anchorman Bruce Lindsay there, put him on a straight chair near the 2,000-foot precipice and had him do a live introduction to the station's newsmagazine show *Prime Time Access*. A few days later archrival KUTV sent its anchor out to another scenic spot ten miles away to introduce the six o'clock news. It didn't want to put him on Dead Horse Point because the station had already used that spot a year earlier.

The Salt Lake City stations were observing ratings sweeps period. "Live does seem to have an effect on the ratings," says KUTV managing editor Bill Lord. "But we're not kidding ourselves here; in terms of journalism, live reports are somewhat suspect."

Last year's active hurricane season proved the true value of satellite news gathering, with reporters knee-deep in raging surf along the Atlantic and Gulf coasts and viewers glued to their sets for hours. SNG made obsolete the microwave leash—the maximum distance of 50 miles for live reports relayed by ordinary terrestrial microwave. In a number of markets, SNG vehicles have become mere tools of broadcast journalism. "The novelty period has long passed," says news director Phil Balboni of Boston station WCVB, which was the second station in the country to have an SNG truck (after Stanley Hubbard's KSTP-TV). "We use SNG virtually every day of the week," says Balboni.

"Why we were ever convinced that 12-hour-old film and phone calls were news, I don't know," says John Spain, news director of WBRZ, Baton Rouge, La. "Maybe it was the only way then. But it's not the only way anymore." By the end of the year, 130 stations are expected to have truck-mounted dishes—about double the number working last spring.

"The most effective utilization of live is for breaking, on-the-spot news, like a plane crash," says Bob Kaplitz of Audience Research and Development Corp., a Dallas consulting firm. But there aren't enough plane crashes. Or hurricanes.

"We do spend a lot of time sitting around trying to figure out how to make use of this thing," admits KRON news director Mike Ferring, referring to his San Francisco station's "Satellite 4" van. "We've got this very expensive piece of equipment out there we would like to make use of. But we can't just go out to cover the flowers growing."

And why not? In Miami, WPLG got such a favorable viewer reaction to its first subsea report from Key Largo, according to news director Terenzio, that he had plans to do another the next day when actual breaking news intervened. On Thursday morning, whales began washing up on the beach in Key West, so the SNG truck drove off for that story, abandoning the underwater reporter. Jim Reynolds's emergence after 24 hours underwater had to be covered on tape.

Wide open spaces: The technical crew of Newsat 10 sets up WPLG's 12-ton satellite truck.

Risks of the Road

On whistle-stop business trips when it's hard to remember what city you're in, you probably count on local television news to help fix your bearings. But if travels took you to Dallas in May, the evening broadcasts would have added to the confusion. You might have concluded you were in El Paso, San Antonio, Nacogdoches or the wilds of Big Bend National Park—somewhere in Texas, but surely not Dallas.

In a triumph of technology over content, Dallas's ABC and CBS affiliates (the NBC station is in Fort Worth) chose the May sweeps period to hit the road in shiny new satellite vans. For much of the month, they warred over which station could seat its anchor team in front of the prettiest scenery, which could produce the most historic landmarks and oddball characters, which could discover the quaintest Texas trivia. Ostensibly, they saluted the state in its sesquicentennial year. In fact, they seemed to practice petty one-upmanship with satellite news gathering equipment.

Marty Haag, news director of WFAA-TV, the ABC affiliate that regularly leads in the Dallas news ratings, insists that unlike KDFW-TV, the CBS affiliate, his crews withstood the charms of technology. The sweeps-period road trip, he says, was a legitimate test of a Dalsat van the station purchased in June. His station did, however, move its travel schedule up a week to give its road show a three-day jump on its rival's.

Whatever the reasons for the satellite news wars in Dallas, the exercise seemed harmless enough. But then on May 12, incidental to the competition, two men were killed in a tragic helicopter crash. Veteran newsman Scott Buster MacGregor Jr. and pilot Irvin Patrick died when KDFW's leased chopper caught a treacherous wind and slammed into the ground in Guadalupe Mountains National Park. The two men were returning from a nearby city to buy food for the 32-member remote broadcast crew.

"I wish we'd never heard of satellite vans," said a distraught KDFW reporter on the morning of MacGregor's funeral. "If we hadn't been out there doing these stupid stories, Buster would still be alive."

DENNIS HOLDER

When Spence Kinard of KSL, Salt Lake City, dispatched an SNG truck to the Teton Dam, more than 200 miles away in Idaho, for a tenth-anniversary report on a flood that wiped out a town, he had his doubts about its news value. "I'm not sure what we'll get out of that besides some eyewash," Kinard said a few days before the story ran. Afterward, however, he said the report had more journalistic value than he'd expected, calling it "a fifty-fifty toss-up between promotion and news."

The trucks are tools, indeed, but not always for journalism. SNG is, in the words of one station manager, "highly promotable." WBRZ in Baton Rouge tied week-long remote broadcasts of its morning news shows to ad sales campaigns in the host communities. At KRON, news director Ferring reports that his station developed a one-upmanship theme, something like this: "They got a seismograph, we got a seismograph; they got haircuts, we got haircuts; we got a satellite truck, but they didn't."

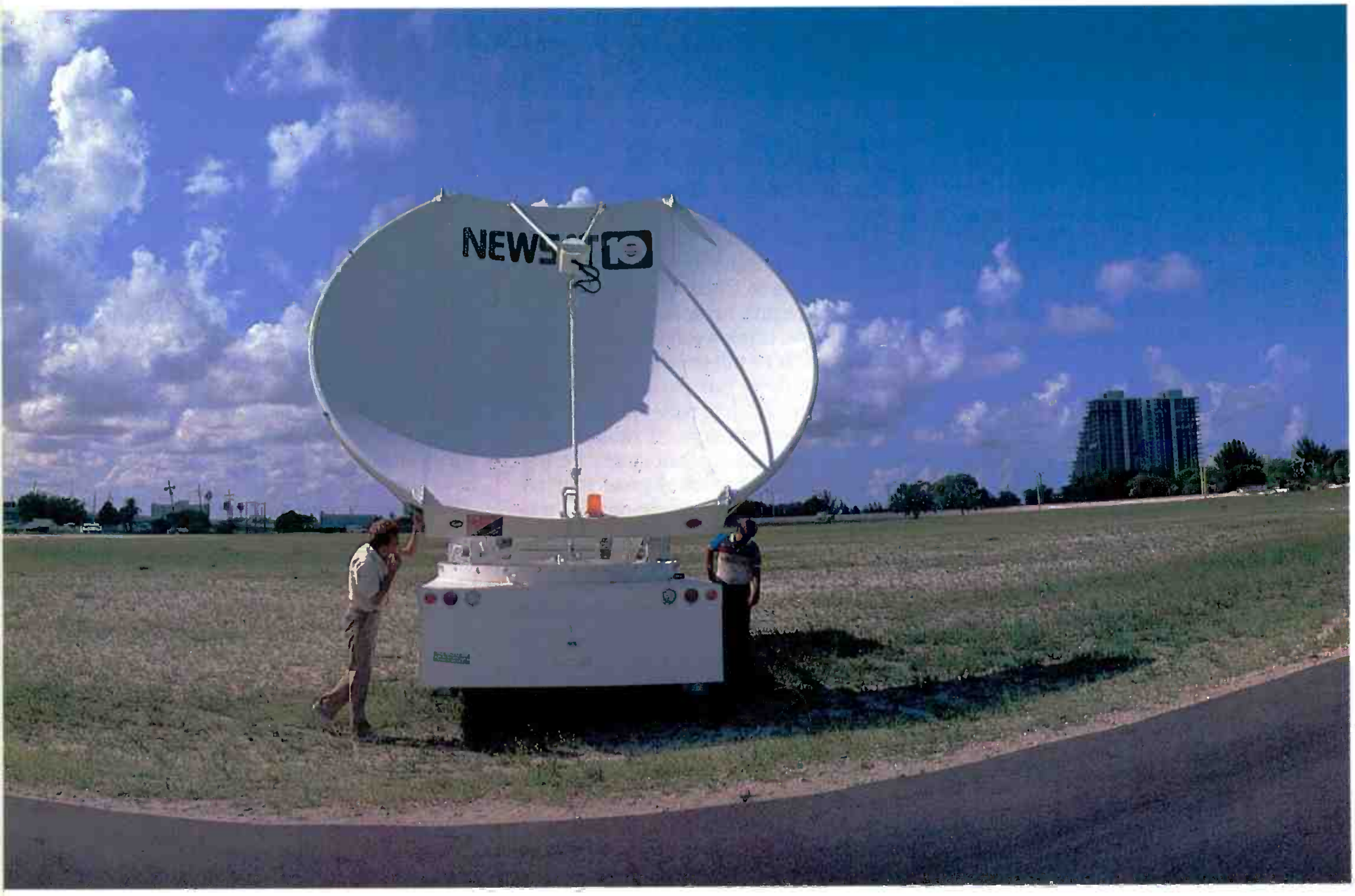
The stations are engaged in TV's version of the arms race, now escalating into outer space. As the latest Star Wars weapon, SNG looks to many broadcasters the way atomic energy did in the 1950s—limitless in its potential, dangerous if abused, ultimately irresistible. "In broadcasting, you just have to stay up with the technology," says Philip Jones, general manager of KCTV, Kansas City. "And SNG just happens to be the latest evolution." Jones's station already has an SNG truck and is a member of Conus, Hubbard Broadcasting's national satellite news exchange, and he has thought about the costs and benefits of SNG trucks.

"Are they worth it?" he asks. "Questionable. It depends on the size of the market. They're better than and not as faddish as helicopters, but considerably worse than microwave trucks."

SNG units are expensive to operate—about $500 for an average day's outing, including satellite time at $20 a minute. And full-size SNG trucks cost an average of $300,000. On-board editing equipment and a telephone communications system add another $100,000. Hubcom, the Hubbard Broadcasting subsidiary that has turned out half the units now on the road, offers a low-boy van that starts at $199,000, and a small portable earth station, carried in eight aluminum cases, each 70 pounds max, runs $170,000.

Those are major expenses, especially for broadcasters fearful that today's state-of-the-art equipment will be a relic the day after tomorrow. "We haven't purchased one yet, simply because we're waiting for things to shake down in technology," says assistant news director

A MIAMI TV critic lambasted a local station for having its news anchors 'delivering the news while squinting at the sun and having their hair blown in different outdoor locations.'



BUD LEE

Marshall with WPLG's SNG truck, dish folded and ready to roll in Miami: Sometimes the best footage it transmits "live" was shot hours before on videotape.

Peter Maroney of WBZ, Boston.

Of course, many of SNG's live news coups as well as its pointless exhibitions have been possible for years through various kinds of remote hookups—particularly during the last decade when line-of-sight microwave trucks have become standard issue for TV news operations. Just recently the television writer for the *Miami Herald*, Steve Sonsky, lambasted WSVN for its month-long live-news stunts using a regular microwave truck. He said it was simply distracting to have the station's anchors "deliver the news while squinting at the sun and having their hair blown in different outdoor locations" from downtown rooftops to an Indian reservation in the Everglades.

WSVN news director Dave Choate took strong exception to Sonsky's comments. "He's not qualified, and that's not valid criticism," Choate says. "Newspaper reporters don't like TV. The viewers like it." Roy Meyer, a vice president of the Fairfax, Va., media consulting firm McHugh & Hoffman, concurs: "TV news is at its best when you are able to cover stories in real time. And viewers have become more sophisticated and demanding. They want it live."

"Live is something that people expect," says Dave Choate. "If you're not at that hurricane or seen at that plane crash, people think you're not covering the news. You're minor league."

But what does the pressure for live reports do to TV journalism? Kaplitz of Audience Research says, "Frankly we're concerned that some stations can be distracted from the basics of good journalism. Years ago the razzle-dazzle was enough. But getting the news is what's important now."

The temptation for local stations to ignore their neighborhoods and go for the glamour in places like Tehran or Tegucigalpa has already produced some bad journalism, according to Frank Manitzas, chief of the ABC News Latin America bureau. He can imagine the day when anchors from Des Moines, toting uplinks no bigger than a backpack, will be doing live analyses of Central American politics, standing in front of the national palace in San Salvador or Managua. "The competition within some markets makes it so that news staffs have to be seen on the scene, carrying their stations' flags," says Manitzas. "And this can overstretch the capabilities of reporters. Live TV has such a dynamic quality and such an impact. What you see the first time is going to impress you the most. SNG increases our responsibility to be fair."

MOST NEWS directors agree that SNG is essential only two or three times a year, but no station with half a million dollars of high-tech mobility can afford to use it that infrequently.

Though SNG has spread steadily among stations, it has not become the epidemic that was expected. Offers by NBC and ABC to reimburse selected affiliates partially for SNG equipment purchases have further complicated local news directors' decision-making process and actually slowed the sale of units, says Alan Jester, vice president of Hubcom, the leading builder of SNG vehicles. "We have about 14 competitors now, and we're street-fighting for orders. Sales have slowed to a trickle."

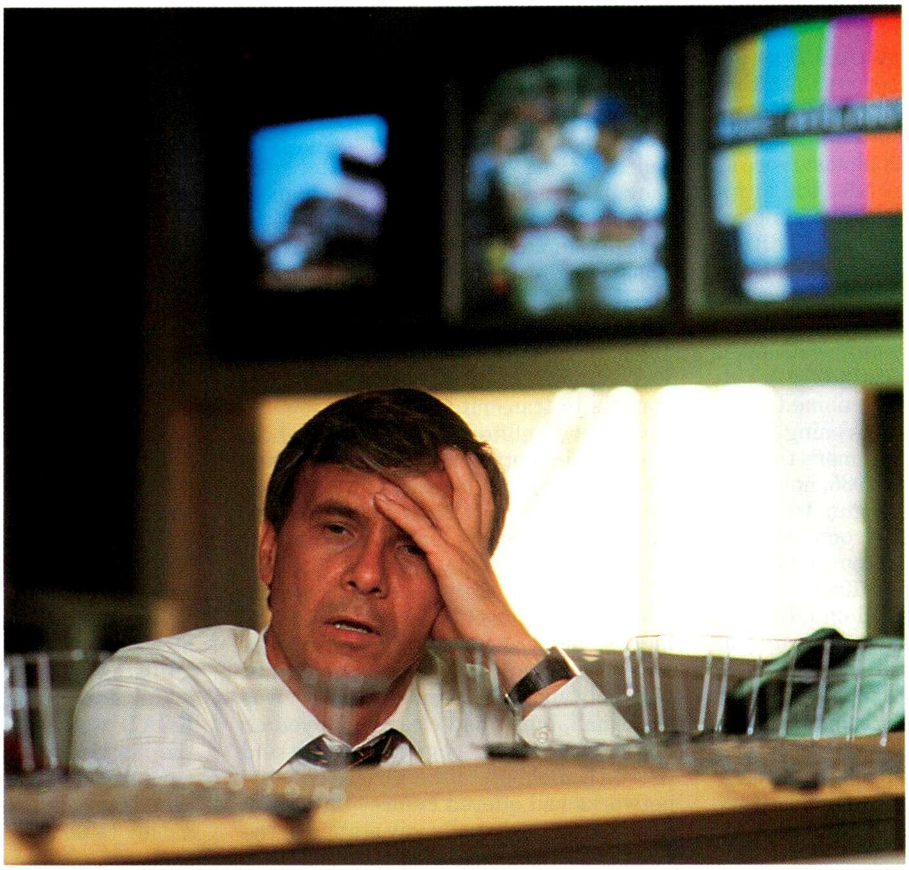
The consensus among news directors is that SNG is truly essential only two or three times a year. And no station with half a million dollars' worth of high technology on wheels can afford to use it that infrequently. So the agonizing goes on. "Don't go live for the sake of going live," advises Don Feldman, news director of WCSC, Charleston, S.C. "Don't let the truck make the decisions."

"Don't be afraid to let it sit in the garage two or three days a week," adds news director Tim Morrissey of WISN, Milwaukee. (His truck does.) And don't give up praying for volcanoes to erupt or, at least, whales to run aground. ●

What the Cutbacks Really Mean

The shrinking of the news divisions was inevitable—no matter who owned the networks in 1986.

by Rinker Buck



NBC anchor Tom Brokaw has occasionally inched past CBS's Dan Rather to reach number one in the ratings, but his news division still loses some $50 million a year.

During one of the most turbulent years in television history, few issues have received as much attention as the rash of budget cutbacks and layoffs at the network news divisions. Since January, in the wake of the Capital Cities takeover at ABC, General Electric's merger with RCA/NBC and CBS's crippling, $955 million stock repurchase plan, hardly a week has passed without fresh reports of turmoil in the newsrooms.

In fact, the belt-tightening now underway at the news divisions has not been nearly as drastic as is generally depicted, and it would have occurred no matter who owned the networks in 1986. A variety of economic forces and the rapid spread of new satellite technology have caused the networks to lose their long-standing monopoly in the gathering of television's national and international news. Many veterans now fear that the golden age of network news has already passed.

"The whole definition of what a story is, and the network's role in delivering that story, has been changed by the satellite," says ABC vice president and *20/20* executive producer Av Westin, one of the original architects of the network's *World News Tonight* broadcast. "In the past, we have always referred to the evening news shows as our 'flagships.' Well, as many navies around the world have already discovered, the flagship may prove to be too expensive to maintain."

At all three networks, comprehensive budget reviews of the news divisions began as early as the spring of 1985. Over the past 15 years, owing to extraordinary public interest in the space program, Vietnam and Watergate, the news budgets of all three networks have grown explosively. Throughout the 1970s, chronic inflation and a boom in television advertising papered over a lot of the red ink generated by the news operations, but sheer hubris also played a role. At ABC News, for example, president Roone Arledge believed he could buy respectability and

PHOTOGRAPHY BY CHARLES STEINER

From a productivity standpoint, the news divisions have become the television equivalent of the auto and steel industries.

ratings simply by spending more than the other networks. At Walter Cronkite's CBS, coming in under budget was anathema to the corporate culture. Its news division grew from just 700 employees in 1970 to almost 1,500 in 1983.

From a productivity standpoint, the news divisions have simply become the television equivalent of what happened in the U.S. auto and steel industries. In 1981, Dan Rather's first *CBS Evening News* broadcast as anchor was not that different in style and content from Walter Cronkite's first half-hour show in 1963, but it had to support almost twice as many employees. Meanwhile, the introduction of video equipment and simpler, more versatile cameras and editing machines should have dictated smaller, not larger, staffs.

By 1984, network news had suffered several years of economic setbacks. Advertising revenues were flat for television in general, and the combined audience share for all three evening news broadcasts had declined by more than 10 percent since 1979. (Since 1985, however, audience shares have begun to climb again.) It was in this environment that the networks began rigorous audits of their news divisions in mid-1985.

The brunt of the cuts fell on CBS and ABC News. (NBC, which during the early 1980s was stalled at the bottom of the ratings, had already reduced its staff by about 75 in 1983.) Union contracts with engineers, cameramen and directors shaped the basic approach to staff layoffs: Slash viciously at the top and bottom while leaving the middle ranks virtually untouched. Of the roughly 200 positions eliminated at CBS, almost the entire senior management left over from the Cronkite era was forced into early retirement, and dozens of messengers, researchers, assistant producers and secretaries were let go.

Other cuts, while certainly making life inside the networks less glamorous, have yielded enormous savings. Simply by scheduling satellite time more carefully—renting a half hour on the transponder instead of an hour for the typical feed—CBS could save almost $1.5 million this year. Extra "standby" control rooms have been shut down and first-class travel and catered meals for correspondents and producers have been all but eliminated. Almost everyone still on the payroll agrees, however, that the networks continue to go all out for the big stories, regardless of budget concerns.

"On a day-to-day basis, I have not felt these cuts at all," says ABC White House correspondent Sam Donaldson. "I still have the same number of camera crews available every day. This spring, it was probably a mistake for the networks not to send their anchors to the economic talks in Tokyo. But some of these were simply judgment calls. Under Cap Cities," Donaldson points out, "ABC sent Peter Jennings to Moscow for a week and Ted Koppel to South Africa. They were outstanding broadcasts."

The first indications of troubles far more serious than budget cuts appeared just a year ago, in September 1985. During one of the worst hurricane seasons in decades, three major storms battered the Gulf Coast and Atlantic states. As the networks frantically dispatched crews southward and called on their Sun Belt affiliates for help, they discovered that some of their most reliable affiliates simply didn't have time to feed them. Crews from many local stations were busy with their mobile trucks and tied into the Conus system, the satellite-news-gathering service organized in 1984 by Hubbard Broadcasting in St. Paul, Minn. Conus allows participating stations to transmit and receive footage via direct satellite hookups without help from their networks. Conus stations were not only putting their own needs—and those of other Conus stations—first, they were crossing all affiliation lines to do so. And, after they had finished their Conus feeds, many of the trucks simply offered their transmission services to the highest bidder, which may or may not have been their own networks. Conus, with only about 25 member stations, was still small, but it had clearly enjoyed an edge on a major regional story and proved it could provide a service only the networks had offered before—direct, 24-hour access to virtually any station in the country.

In December, after the U.S. military air crash in Canada, and again in January, after the NASA shuttle explosion, Conus was out in force, often beating the networks to the best locations. In May, Conus signed an agreement with the Associated Press to form a news-feed service out of Washington that will reach more than 600 stations.

There were other signs. In November 1985, at the Reagan-Gorbachev summit in Geneva, all three networks sent their anchors and entourages of about 60 staffers each, only to discover that 15 local U.S. stations had sent their own anchors.

ABC correspondent John Martin was there: "I worked for KCRA in Sacramento, an NBC affiliate, for nine years before coming to ABC. And who do I run into at Geneva? Stan Atkinson—my old anchor from Sacramento. A lot of these affiliates have decided simply to preempt the network and send their own footage back by satellite. Their anchor is the guy the locals know best, and he can make the story work for them. There was never a feeling before that local stations could put together their own national or international broadcasts, but now there is. If I were a local news director now, I'd feel as if I were in the driver's seat."

Other developments at Martin's former employer in Sacramento indicate the shape of things to come in local news. This year, KCRA has sent its anchors and correspondents to the Soviet Union, Vietnam, France and Ethiopia. In addition to its NBC affiliation, the station also subscribes to CNN, and it can use either NBC or CNN to receive breaking news or to make satellite transmissions of its own reports from remote locations.

"The public doesn't care where they get their news from," says Peter E. Langlois, KCRA's station manager and news director. "They care that it's accurate, complete and available when they want it. Ten years from now we could be providing a complete newscast covering the world from Sacramento."

Powerful economic incentives lie behind this trend. Over the past 15 years, while the networks were losing millions on their evening news shows, local news became the stations' cash cow. Unlike network news broadcasts, for which stations receive a flat compensation fee and some airtime for local commercials, ad time during local newscasts belongs entirely to the station and is an increasingly important source of revenue.

"It all began back in the 1968–69 season at KCAU in Sioux City, Iowa, an ABC affiliate," says Av Westin. "ABC had an awful entertainment lineup then, but KCAU was the best news operation in the market and they were making huge amounts of money on their local broadcast. They realized that there was more money to be made in news than in prime time and plowed more money back into their news operations. The local news explosion thus began." In most larger markets today, local news broadcasts and feature shows run two hours in the early evening. Will the affiliates someday make do without network news?

"I would predict that by 1990, the three networks will have low-budget news operations with only 500 employees, and not the 1,000 they have today," says one producer who plans to leave his network this fall. "Why should the local stations give up a half hour to the network when, by simply steering their satellite dishes a

Nightline's **Ted Koppel in the Philippines: Questioning foreign minister Salvador Laurel in February and (inset) radioing a message to ABC's Manilla office.**

few degrees, they can pick up anything they want from CNN or Conus? They can have their own anchor narrate the material and say whatever they want."

To some extent, local stations are already doing that by narrating footage from their daily network feed, or from other sources, during the hour before the network show. Surveys show that 70 percent of network news viewers are already familiar with the major headlines before Dan Rather or Peter Jennings announces them an hour later. This is already changing the way the networks view their role. The number of stories on network news shows is falling, and all three networks produce more documentary-style takeouts on topical themes, setting the stage for their evolution into a softer format.

"A few years from now," says Westin, "you're going to see a format where the anchors simply genuflect to the major headlines for a few minutes, then go into two, maybe three longer, in-depth reports. That's their strength now."

The two strong cards left for the networks are the "magazine" and topical interview shows like *60 Minutes* and *Nightline*. Conus founder Stanley Hubbard, whose company owns six stations around the country, says, "Shows like these are still some of the best programming in television right now and audiences love them." But internal politics at the networks may prevent them from realizing their full potential.

It's important to remember that both *60 Minutes* and *Nightline* succeeded almost by accident, after the networks decided to take a flyer on them because they had nothing better in their time slots. *60 Minutes* spent six years kiting around the schedule before CBS did something truly unpredictable—it put it on at 7 P.M. Sunday night. *Nightline* began in 1979 as a series of late-night specials on the Iranian hostage crisis and the show stuck. Magazine shows cost about half as much to produce as entertainment programming and can be hugely profitable, supporting the rest of the division. "Without *20/20* and *Nightline*," says Westin, "ABC News would be finished." NBC's failure to launch a successful magazine show is directly responsible for the chronic $50 million annual deficits at its news division. Programming chiefs, however, have always resisted news shows during prime time, not only because of the long time it takes such shows to find an audience but because any profits will show up on the news ledger, not theirs.

CBS and ABC are having the same troubles today kicking off their latest entries in the field. CBS Entertainment president Donald "Bud" Grant caused a furor last June, just after *West 57th Street* had returned to the air following a long hiatus, when he told a newspaper reporter that "the odds are against" its success. Significantly, Westin's own new gamble in the magazine fold, a history show called *Our World*, has been assigned the one time slot no producer in his right mind wants to go near—8 P.M. Thursday night, opposite *The Cosby Show*.

The success of Ted Koppel's *Nightline* has also led the networks to consider more news programming aimed at relatively narrow but upscale audiences. ABC, for example, is launching a business-oriented show this fall, based on the popularity of such programs on PBS and cable channels.

No one can argue seriously that the network news operations will die quickly or without a fight. The four-year slide in ratings that began in 1979 now appears to be arrested, and may have been just an ordinary dip following Walter Cronkite's retirement, John Chancellor's move to a less visible role as a commentator and Frank Reynolds's death. The networks own the biggest affiliates in the major markets and can be expected to keep their shows alive there. But the affiliates, and the cable and satellite upstarts, are restive and possess the technology, which has a way of making decisions for them. Everyone is hedging his bets.

"I intend to stay at ABC," Sam Donaldson says. "It's my family. But I *have* to say that—I've got a contract to renegotiate someday. Who knows what Turner or Hubbard or even Rupert Murdoch will do next? They're paying some pretty good salaries out there now. If they did manage to seduce me or Ted Koppel away, things could change overnight." ●

PRIVATE EYE

by *William A. Henry III*

In some adult circles, cartoons enjoy a reverse snob appeal, and represent some sort of cultural liberation.

SATURDAY MORNING FEVER

Every Saturday morning, as I struggle for a few more minutes of respite from the memory of underachievements in the week gone by and the prospect of tasks beckoning on the "day off" to come, I am awakened by the chirpy sounds of cartoons seeping up from the TV room. The volume, supposedly muted, edges ever higher during the exciting spots and penetrates my dreams, filling my last moments of slumber with images of dicky-birds and dragons. Not much in that rueful description distinguishes me from millions of other men in millions of other American households, except for one thing: I have no children. The cartoons are being watched by my 36-year-old wife.

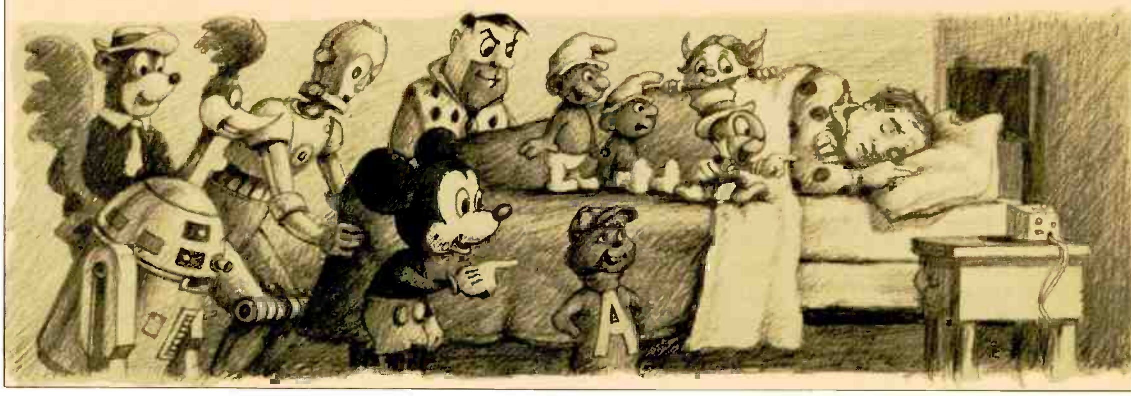
She is not, I hasten to add, feebleminded or recovering from some nervous distress. She is a fairly senior advertising executive for a giant department-store chain. She is not making a scholarly study of children's media, although she did in college, primarily as an excuse for indulging a secret vice that has continued long past her submission of the thesis paper. Nearly all the paperback books she reads have illustrations of beings unknown to zoology. And when it comes to television, she prefers cartoons to almost everything else on the air—enough so that she sets the VCR to record *He-Man* and *She-Ra* in the afternoons so she can view them on nights when I'm away.

My wife is not alone in this vice. Her best friend, a childless 38-year-old male hospital administrator, watches much the same shows with much the same enthusiasm. So do several of my wife's shrewd, aggressive co-workers. A Princeton doctoral student in history whom I know overdoses on reruns of *The Jetsons*, and an actor friend tells me that in the halcyon days of *The Flintstones* his fraternity at the University of Massachusetts switched its dinner hour to watch. In some circles, certain kinds of cartoons—classic animation of the Disney/Bugs Bunny/Woody Woodpecker variety—even enjoy a sort of reverse snob appeal, in which reversion to childhood is cloaked as some sort of cultural liberation. So do the *Rocky* and *Bullwinkle* series, which show cunning hints of having been aimed at least partially at an adult audience to begin with. Truth to tell, I still watch *Dumbo*, and cry, at least once a year, myself.

My wife can't, or won't, explain why she enjoys cartoons: She is afraid that if she renders her pleasure rational and analytic, the fun will fade away. I know that she prefers them to prime time television chiefly because they offer pure escapism. "I don't like realistic shows," she says, her voice edging into a nine-year-old's whine, "because they have *problems*." She does not want to be reminded of her everyday life, even for the purpose of coming to understand it. "I want literature with imagination and originality—plants that grab your feet, that kind of thing." On that last point, I *think* she was halfway kidding. But in fact her tastes run to wizards and sorcerers, *Dungeons & Dragons*.

Her all-time favorite seems to be *The Herculoids*, which has "a variety of characters, both people and animals, and good villains." She likes *Ewoks*, for similar reasons, but finds that other *Star Wars* spin-off, *Droids*, "too mechanical, too robotic, with not enough outright fantasy." She adds, "I like mutability of matter, transformation, dematerialization, that kind of thing, and you *never* get it on prime time. When anyone tries it, like in *Manimal*, it always gets taken off the air." Her desire for imagination does not bar her from a childlike preference for repetition of the same basic story line from episode to episode. She says, "Good cartoons are very predictable and consistent. You're comfortable with them because you know what you're going to get."

In a way, her yearning is metaphysical. With the exception of *The A-Team* and *Miami Vice*—her two evening favorites—she finds nothing on prime time that openly deals, as cartoons do, with the eternal struggle between good and evil. For at least a decade, the fashion in network circles has been to develop, in the jargon of the industry, "flawed, human characters." That translates to heroes who are less than heroic and villains whose malignity arises from a thwarted childhood or something of the sort. As many a churchman and layman have noticed, the stern moral element of earlier literature has been muddled with behaviorist sentimentality. Popular culture rarely teaches lessons anymore, and sometimes seems to have all but forgotten the dictum that audiences must have someone to root for. My wife, I suspect, is not alone in hankering for TV that resembles what Oscar Wilde described in one of his most two-edged cracks: "The good end happily and the bad unhappily. That is the meaning of fiction." ●



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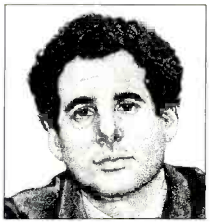
HOW THE NEXT WAR WILL BE COVERED



by Joel Swerdlow

In a recent article in the Army journal *Military Review*, Colonel Harry G. Summers Jr. notes a disturbing trend: antagonism toward the media, particularly toward television, by many officers, who hold the press responsible for the loss of the war in Vietnam. "[It's] bad enough among Vietnam veterans," Summers writes, "but it is even more extreme among younger officers, whose attitudes are not tempered by firsthand experience."

That feeling, Summers writes, is reminiscent of General Dreedle, a character in Joseph Heller's *Catch-22*. When Dreedle gets angry at a subordinate he shouts, "Take him out and shoot him." A significant number of the nation's most powerful and promising officers apparently feels the same about reporters: Shoot 'em. And if you can't, keep 'em as far away as possible. Military antipathy toward the media has, in turn, hardened residual Vietnam-era attitudes among journalists, whose instincts are to disbelieve whatever information the Pentagon releases.

The mutual distrust between the military and the media will only get worse—unless both sides see what is happening.

Any future conflicts America may engage in, by their very nature, will almost inevitably exacerbate this mutual distrust—unless both sides understand precisely what is happening.

Grenada '83: Battle coverage would never be the same.

Roughly speaking, these are the ground rules: If Congress declares war, the military can censor combat coverage. In the absence of a declared war, the Department of Defense will invite a pool of reporters on combat missions. This arrangement is a compromise resulting from the 1983 Grenada invasion, when reporters were excluded until several days after the action began. The pool system has been tested several times since, but never during a major military mission. And the system, though generally favored by the press, leaves unaddressed the gray area between a declared war and a military strike, i.e., a prolonged engagement, when the military can impose "declared-war" censorship simply by denying access.

The first step toward breaking the gridlock of distrust is to put Vietnam coverage in perspective. A growing body of academic literature shows that neither the press in general nor television in particular poisoned public opinion against the war. But, more importantly, Vietnam does not offer a model for media experience in future wars. As former *Washington Post* Saigon bureau chief Peter Braestrup notes in a recent Twentieth Century Fund report: "The abundance of logistical, transport and communications support; the size and wide deployment of U.S. forces; and the low intensity of the ground war" constituted an "aberration" not likely to be repeated.

Since the end of World War II, according to a 1978 Brookings Institution study, the U.S. has used or seriously threatened to use military force more than 200 times. Since nuclear weapons—one hopes—make all-out war unlikely, the future will hold more of the same: small actions that yield no clear winners or losers, only beginnings and ends. In the future, much—if not most—important "war coverage" will occur not where people are being killed but where policies are being shaped and public opinion mobilized. Victory in these instances will not be won on the battlefield by use of arms, but in Washington by use of media contacts, selective access, leaks and public relations. America's war coverage in the future will come increasingly from the same milieu its political coverage has come from.

Soldiers, by constitutional mandate, cannot question lawful orders from their commander in chief, cannot openly argue about the wisdom of policy decisions. The media, in contrast, have a mandate to examine both the long-term consequences of short-term conflicts and whether government policy is indeed in the national interest. Out of this clash of missions, animosity naturally grows. The new American way of war, furthermore, is to rely on quick use of extraordinary firepower, which minimizes our casualties but causes a great deal of damage—often to civilian areas. Bombs hit hospitals, not because the Air Force wants to kill sick people, but because when elected officials send jets traveling at supersonic speeds to destroy small targets such mistakes are all too common.

This creates a constant danger for journalists, who may convince themselves that the best counterbalance to administration assertions is to show footage of bombed hospitals—provided, most likely, by regimes which censor their own press. Such stories, even when presented with sincere efforts at establishing context, can lead to precisely the distortion that angers many military men.

One way to minimize this distortion is for journalists to recognize the built-in biases of their profession. Good television, for example, is movement, emotional images and up-to-the-minute facts. These ingredients may not convey the truth, because war—like most of life—is not all action. During war, what does not happen can be more important than what does.

Colonel Summers is optimistic about the chances for a military-media rapprochement. "Grenada represents in many ways a shakedown from Vietnam," he says. "Lessons were learned, and extremes can now be avoided." It's all very encouraging, but as Summers himself warns, General Dreedle's spirit is still alive and well. ●

HOLLYWOOD INC.

by Patricia E. Bauer

Despite a dismal track record, Hollywood's limited-partnership deals continue to be hot. It must be the glamour that hooks the investor.

BULLISH ON GLITZ

When Monty Hall wanted to make a deal not long ago, he didn't look under the box or behind Door Number One. Instead, Hall fixed his gaze beneath the blue and white Shearson Lehman banner in a fake Chinese temple. He was one of about fifty potential investors invited to a Twentieth Century Fox movie lot to hear bankers pitch their new $100 million motion-picture limited partnership.

Although the meeting was restricted to high rollers, the message was the same as the one being given to thousands of Shearson customers in tent shows from Syracuse to Yakima. For as little as $5,000, an investor could be part-owner of a package of new pictures, including *Aliens*, with Sigourney Weaver (the sequel to *Alien*); *Predator*, starring Arnold Schwarzenegger; and up to 18 others. The partners would finance 35 percent of the production and share 35 percent of the revenues.

For the past half-dozen years, small investors have been pouring money into filmmaking limited partnerships at an unprecedented rate—more than $400 million over the past year alone. But lately, the studios are finding they aren't the only ones in Hollywood trying to snare investor dollars. Spurred by the bullishness of the market and the merger-and-acquisition fever of the media world, entertainment companies of all sorts are vying to sell shares of stock to the public on the open market.

Aliens for sale: Star-struck investors plunked down $5,000 each and bought a piece of Sigourney Weaver's new film.

Investors who liked *Cocoon* can now buy a piece of director Ron Howard's new public company, Imagine Films Entertainment Inc., which is geared to developing movies and TV shows. Admirers of *Dynasty* and *Love Boat* may want shares of Aaron Spelling Productions. Spelling, the shows' creator and an enormously successful producer, is planning to make more TV programs. And *Godzilla* aficionados might prefer to put their money on New World Pictures, which, despite its name, also trades in videotape. All told, over the past year and a half, entertainment and television corporations have sought to raise $1 billion in capital by issuing stock or debt securities. That includes everything from TV miniseries production to videotape distribution. And is the public buying? Consider the numbers:

Prism Entertainment Corporation, a manufacturer and distributor of videocassettes, sold $4.7 million worth of stock at $6¾ a share last fall. By June, it had climbed to $14 and then settled in at $11—until Fries Entertainment Inc. announced plans to buy a majority share of Prism for $18 million. The aforementioned New World went public at $7½ last October. By June, it had split 3 for 2 and climbed to $19—almost quadrupling in value. And there was such excitement over Dino DeLaurentiis's company that it went up almost 50 percent in a day. DEG, as it is known, was originally priced at $9 to $11, came out at $12, opened at $14¾ and closed at $17¾. By summer, it had settled back to $15.

The action is so fierce at times that industry executives are griping about standing in line at the Quotron machine. The attraction of the public offerings, it seems, has been more than just market bullishness or the M&A frenzy, although that's certainly part of it. Investors are beginning to believe what insiders have been saying for a long time: There's big money to be made in the ancillary markets. Cable, foreign TV, home video, syndication, independents and the like are thought to offer better revenue opportunities than more traditional routes: box office receipts or network license fees. Companies that show promise of plugging into those markets are the new leaders, the choice of industry insiders.

By contrast, the track record of the motion-picture limited partnerships has been fairly dismal from an investment standpoint, with studios doing far better than their limited partners. Only about one in ten films makes money, and that one must carry the studio's costs for the other nine. In the large slates of pictures carried by the limited partnerships, the duds and the hits tend to average out. In essence, the studios are able to borrow working capital from their limited partners interest free.

And even if their particular grab bag of pictures does well, partners may find their take considerably smaller than expected. Deals vary, but partners generally don't get paid until after money goes for production, distribution, overhead and a lot of other things. Afterward, the cupboard can be pretty bare.

So what's the attraction? Not tax breaks, certainly. Revisions in the code have made that a thing of the past. So it must be the glamour of Hollywood—the chance to tell your fellow dentists in Omaha that you own a piece of Arnold Schwarzenegger—and the allure of a speculative, risky investment.

But none of that sounded particularly appealing to TV's big dealer. Monty Hall is sitting this one out. ●

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July 14, 1986

by Denise Oliver

Will Mergers Doom The Radio Networks?

Under the one-to-a market rule, GE and Cap Cities have to divest a number of stations in major markets. What does that mean for the ABC and NBC radio networks?

When President Reagan was shot outside the Washington Hilton in 1981, Sam Donaldson, a star of ABC television news, broke the story on another medium. Rushing to a phone, he dialed New York, told TV staffers what had happened and where to send reporters and crews, and then said, "Get off the line. I'm going to feed radio." He delivered the news in the fastest way possible, over the ABC radio networks.

At the time, I was working at WWDC Radio in downtown Washington. Geographically, we were closer to this story than any radio station in the country. But because we were a rock station we didn't have the credentials to get a reporter on the scene. As the details of the attempted assassination unfolded, we were as dependent on network radio news feeds as a station in Des Moines.

Even before the Hindenburg disaster in 1937, radio networks were usually the first to report breaking news to the nation. We tend to take these networks for granted because they've been on the air all our lives. Their existence has always been a given. But now the ABC and NBC radio networks are troubled by changes arising from Capital Cities' merger with ABC and General Electric's acquisition of RCA/NBC.

If as a consequence we lose all or some of the services of these venerable radio networks, which were the earliest champions of electronic news and which remain a prime source of news for a majority of the adult population, America will surely be the poorer for it.

What has happened that has escaped general notice is that the ABC and NBC takeovers have triggered a Federal Communications Commission regulation that effectively forces Cap Cities and General Electric to divest themselves of ABC- and NBC-owned radio stations in the largest markets.

The regulation, which is commonly known as the one-to-a-market rule, was adopted to reduce cross-ownership, so that no media company could dominate the sources of information in a single metropolitan area. But to prevent chaos in the industry, the FCC "grandfathered," or let stand, all existing cross-ownerships until those companies changed hands.

So during the next year or so, the ABC and NBC radio stations will have to be sold off in all the cities in which those companies also own television stations. Of ABC's 19 remaining AM and FM stations (Detroit and Houston having already been sold), seven more in New York, Los Angeles, Chicago and San Francisco will have to go. NBC, which owns a total of eight radio stations, has five in New York, Chicago and Washington that will have to be divested, leaving only two in San Francisco and one in Boston.

Stripped of their largest stations, NBC Radio and ABC Radio will be quite different organizations. There is good reason to wonder whether Cap Cities and GE will keep these networks or whether they will sell them off somewhere along the way.

Networks, being program services, are not licensed by the FCC, and thus don't have to be divested, but the radio networks have been something less than great sources of profit even under the exemption from cross-ownership. News radio networks, in fact, make no money, their losses tolerated as long as the company's radio stations and other divisions remained healthy.

But with television revenues down last year, broadcast companies have brought pressure on every division to contribute to the overall profit picture. And it will cost more to operate a radio network without the owned stations than it did before. This is because the networks pay substantial compensation to key affiliates for the use of their airtime, but pay very little, in contrast, to stations that are in the corporate family. After divesting their stations in the major markets, ABC and NBC will have to enlist new affiliates and pay them the going rates. No more bargains in the top ten markets. By some estimates, this could cost the six ABC radio networks an additional $2.5 million a year in station compensation, which would take a serious bite out of their profits.

It's unlikely that these networks would go out of existence, but if they were to be sold off to operate like independent networks such as Mutual (now owned by Westwood One) and the former RKO Radio Networks (recently purchased by United Stations), their news coverage would inevitably be diminished. The NBC networks currently operate on a news budget of $12 million a year, and the ABC networks $17 million, while the independent networks survive on news budgets of $4 million or $5 million.

Moreover, the ABC and NBC radio networks have drawn heavily on the resources of their companies' news operations. In being spun off as independent networks, they would undoubtedly provide a lesser news service than Americans have been accustomed to receiving from their ABC and NBC stations. Two great national institutions that have served three generations will have all but vanished because of a rule that was originally meant to address local journalistic situations.

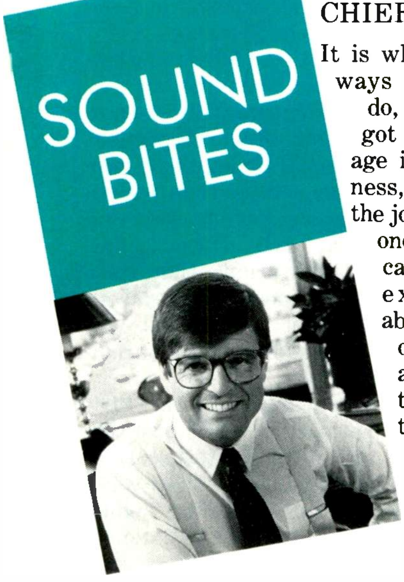
No doubt, the members of the FCC never dreamed that this would be a consequence of their attempt to break up local media monopolies. If they could have foreseen this outcome, which amounts to a great loss for the nation, I wonder if they might not have had second thoughts. ●

Denise Oliver is a former program director for ABC Radio Networks and NBC's WYNY-FM in New York City.

LeMasters's Plan

CBS's new programming chief talks about the state of prime time television and getting his network back on top

The pressure was something fierce, and Harvey Shephard finally had enough of it. His successor as CBS's top programmer is Kim (actually, Earle H.) LeMasters, 36, the network's former vice president in charge of miniseries. Known for his one-liners and affinity for writers, he has worked for CBS since 1976, developing comedy and dramatic programs—except for a year as vice president for motion picture development at Walt Disney Productions in 1984. When Shephard fled to the presidency of Warner Bros. Television in May, LeMasters found himself in Shephard's hot seat, three weeks before CBS was to announce its fall lineup. Here he talks with Channels *editor-in-chief Les Brown and West Coast editor Patricia E. Bauer.*



ON BECOMING CBS PROGRAM CHIEF

It is what I've always wanted to do, and once I got some mileage in the business, it seemed the job to have—one where you can be most expressive about feelings on shows and how they're positioned and promoted. The surprise was only in the rapidity of my move into this job, not that it happened. In the past at CBS the head of programs had been the sole author of the schedule. Harvey [Shephard] held very tight control. That was his style, and it was successful for six-plus years. But I'll work in a kind of partnership with Bud Grant [president of CBS Entertainment]. He has been a champion of mine and helped get me this job. Herb Gross, who was formerly Bud's assistant, will be doing more of the day-to-day scheduling that Harvey did himself. He'll do the groundwork and present it to me to sign off on. It's got to be a more coordinated attack now, especially given the position we're in as number two. There will be no territorial battles. The only war we should be engaged in is with our competitors.

HOW THIS YEAR'S SCHEDULE WAS MADE

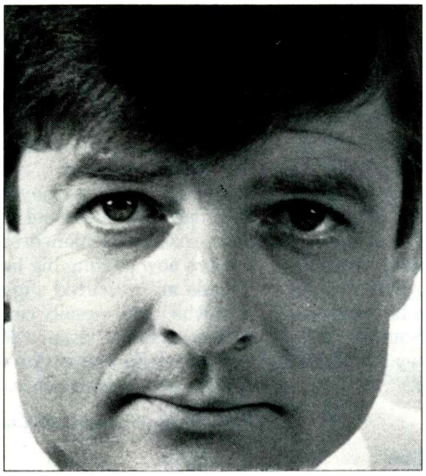
The only way to have done it this time was by committee, because I literally had one week to look at every single pilot and get up to speed before I went to New York. And I was an occasional television viewer. Had I seen two *Magnums* over the course of a year I would have considered that great dedication. I wasn't following the specific ratings performances, as you must do in this job. I had been traveling a lot and making miniseries.

HIGHER MANAGEMENT'S ROLE IN PROGRAMMING

In this job you need someone to counterpunch with, somebody who has remained more objective and can raise the right questions. I hope to get that from Bud Grant. It was Paley's [CBS's retired founder] great function with his vast knowledge of broadcasting. You could present your pilots, and he would hit you like a buzz saw and bring up things you never conceived of. This is not to say that the present CBS management—Wyman, Jankowski and Leahy—are not involved. And Jankowski and Leahy, specifically, have been exposed to other areas of the network. They're not just financial people. Sales requires program understanding, not necessarily hands on, but you have to know the product so you can sell it. They are sensitive to our needs, which is the key to it all. I would think the danger at Cap Cities and a General Electric–controlled NBC would be an insensitivity. This is unlike any other business in the world. We deal in guessing. We can research ourselves to death and it doesn't help. The product comes out of people, and we have to guess the people right. I'm glad our management has been around and can be sensitive to this.

THE FUTURE OF MINISERIES

They're a valuable programming tool, but you have to weigh very carefully their volume. When a miniseries repeats, the average rating decline is 37 percent, which is huge. That means you're looking at 13 hours of space you're going to suffer for. We have to pick our shots carefully. One of the reasons the networks are going back to the short miniseries, the two-nighters, is they're easier to repeat. You can burn them off quickly. They're more valuable for the second- and third-place networks. The first-place network got there because of series and won't take a good series off the air. Like any other form of programming, the miniseries goes through cycles. The minute television strikes a vein, we mine it to death. We are the great strip miners of all time.



TONY ESPARAZA

'Second is the worst place to be, because everyone expects you to regain number one, and number three is sitting there with its jaws wide open.'

THE NEW CBS SCHEDULE

The 8 o'clock problems will continue. Typically in television four out of five new shows fail, and since we've attacked 8 o'clock fairly strongly, one would have to figure that statistically we're still going to have 8 o'clock problems. Now if we get lucky—and I'll take luck over hard work any day—that won't be such a problem. The real problem, like that of pro baseball teams that assess their average age, is the average age of our series. We have more series in their sixth, seventh and eighth years than the other guys. The average life span of a series in today's marketplace is four years. So, we've got players on our team who are twice the age of mature players. With age there is always audience falloff, and someone can move in and quicken the erosion. We will have the opportunity to put an attack on *The Cosby Show* in its third or fourth year. I wish in hindsight that CBS had been more aggressive against *The A-Team*. It is the wounded animal of the herd, and you should go after it. In programming against it, CBS kept going for that odd-man-out demographic, as opposed to going directly after its audience, which is what I think you have to do. One of the problems we have this fall is that we had to announce first. So we couldn't counterprogram. We put together the schedule we thought was best from whatever intelligence we could gather about the other networks' plans. But there are shows we should have canceled. The CBS show I feel strongest about is *Designing Women*. I think it's wildly funny and different in tone. Our clearest opportunity at 8 o'clock is on Saturdays with *Downtown*. It's a good show with energy and an action format. It's also alternative programming, with both other networks running comedies.

THE COMPETITION'S BEST

L.A. Law is the most beautifully executed and one of the most entertaining pilots I've seen. I wish it were mine. I just sent [producer] Steve Bochco a note telling him it's the best pilot I've ever seen, and I hope he fails. It's beautifully cast, beautifully directed, intelligently written. It's both dramatic and funny. They've taken all the lawyer stereotypes and put them in the story. And that honesty is just so refreshing. I look for honesty in a show. My pet theory is that a show must have a soul. When you look at a show and don't have an emotional reaction, it has no soul and is bound for failure. In all the long-running shows, there's something about them that genuinely draws on emotions.

PROGRAMMING INNOVATION

For me, innovation is characterization these days. I don't think we're going to find new formats. I'd love to be proven wrong. We're certainly not going to have a technological breakthrough in the near future that will provide programming innovation. The innovation you look for is the *All in the Family* innovation. *Magnum*, when it first came on the air, was innovative in presenting a vulnerable yet lethal hero. When TV series break through, it's the characters that break through. Our hope is that *Miami Vice* will get too cute for itself and will out-form itself. They work so hard for style that my hope is they'll keep pushing it as far as they can stretch it and shoot it into the vacuum of space.

WHY YOUTH RULES PROGRAMMING

It has more to do with energy than with being young. It is a job that consumes enormous energy, and makes one highly susceptible to burnout. There are the ratings pressures and also the daily high-cost decisions that have to be made rapidly, and they take a toll. We don't get a specified tour of duty as people do in the military. We're told to do this 52 weeks a year, and that's a different pressure. The season never ends.

ON RUNNING SECOND

Second's the worst place to be because everyone expects you to regain number one, and number three is sitting there with its jaws wide open. Number three is easier. There is a tendency to be more careful when you're number two because chances are you've slipped from number one, and you say, "I'm not quite sure why that happened." In not knowing, you don't know which part of the ice is thin and which is thick. So you tend to walk gingerly. Well, that's not the way television is won. You've got to charge. You've got to be aggressive. Somebody ought to do a listing of the shows [NBC's Brandon] Tartikoff burned getting to number one. I'll bet it's an elephants' graveyard. We didn't cancel the shows that needed canceling because we were being conservative, hanging on to what used to work.

THE FUTURE OF TELEVISION

The choices are phenomenal for viewers, and it makes our job tougher. We have an advantage most other media don't have: We can tell people what's on our network. There still is, thankfully, a glamour about the networks. But if you asked if I'm worried that we may be dinosaurs, I'd say I think television is probably dancing right now on the La Brea tar pits. The question is, do we get our foot stuck? ●

RUNNING THE NUMBERS

VIDEO BEST SELLERS

Paramount Home Video, as its name might imply, sits on the peak of the prerecorded videocassette mountain with seven titles among the top 20 best-sellers of all time, and 17 among the top 100. The studio boosted its sales by list-pricing many releases at $39.95 or less. Warner is number two, with 15 among the top 100. Hits are so important in home video that the top 100 titles probably account for one fourth or one fifth of all U.S. and Canadian cassette sales. Only a quarter of sales in the top 100 are nontheatrical titles, notably the children's stories from Western Publishing and various Jane Fonda exercise videos. (Source: May 1986 survey by *Video Marketing*.)

Top 20 Titles of All Time

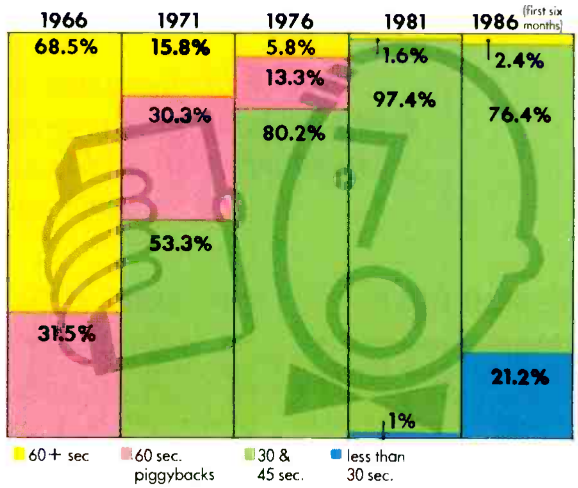
		Manufacturer	Units sold
1	*Beverly Hills Cop*	Paramount	1,400,000
2	*Raiders of the Lost Ark*	Paramount	1,000,000
3	*Jane Fonda's Workout*	Karl-Lorimar	850,000
4	*Michael Jackson's Thriller*	Vestron	550,000
5	*Purple Rain*	Warner	450,000
6	*Back to the Future*	MCA	440,000
6	*Star Trek III*	Paramount	440,000
8	*Rambo: First Blood II*	Thorn EMI/HBO	435,000
9	*Ghostbusters*	RCA/Columbia	415,000
10	*Return of the Jedi*	CBS/Fox	400,000
11	*The Empire Strikes Back*	CBS/Fox	375,000
11	*Clue (VCR game)*	Parker Bros.	375,000
13	*Flashdance*	Paramount	355,000
14	*Gone With the Wind*	MGM/UA	325,000
15	*Airplane*	Paramount	300,000
15	*Gremlins*	Warner	300,000
15	*Jane Fonda's Prime Time Workout*	Karl-Lorimar	300,000
18	*Star Trek II*	Paramount	290,000
19	*Automatic Golf*	VAI; Video Reel	280,000
20	*An Officer and a Gentleman*	Paramount	275,000
20	*Wizard of Oz*	MGM/UA; MGM/CBS	275,000

Titles in red were list-priced at $39.95 or less.

SHORTER COMMERCIALS

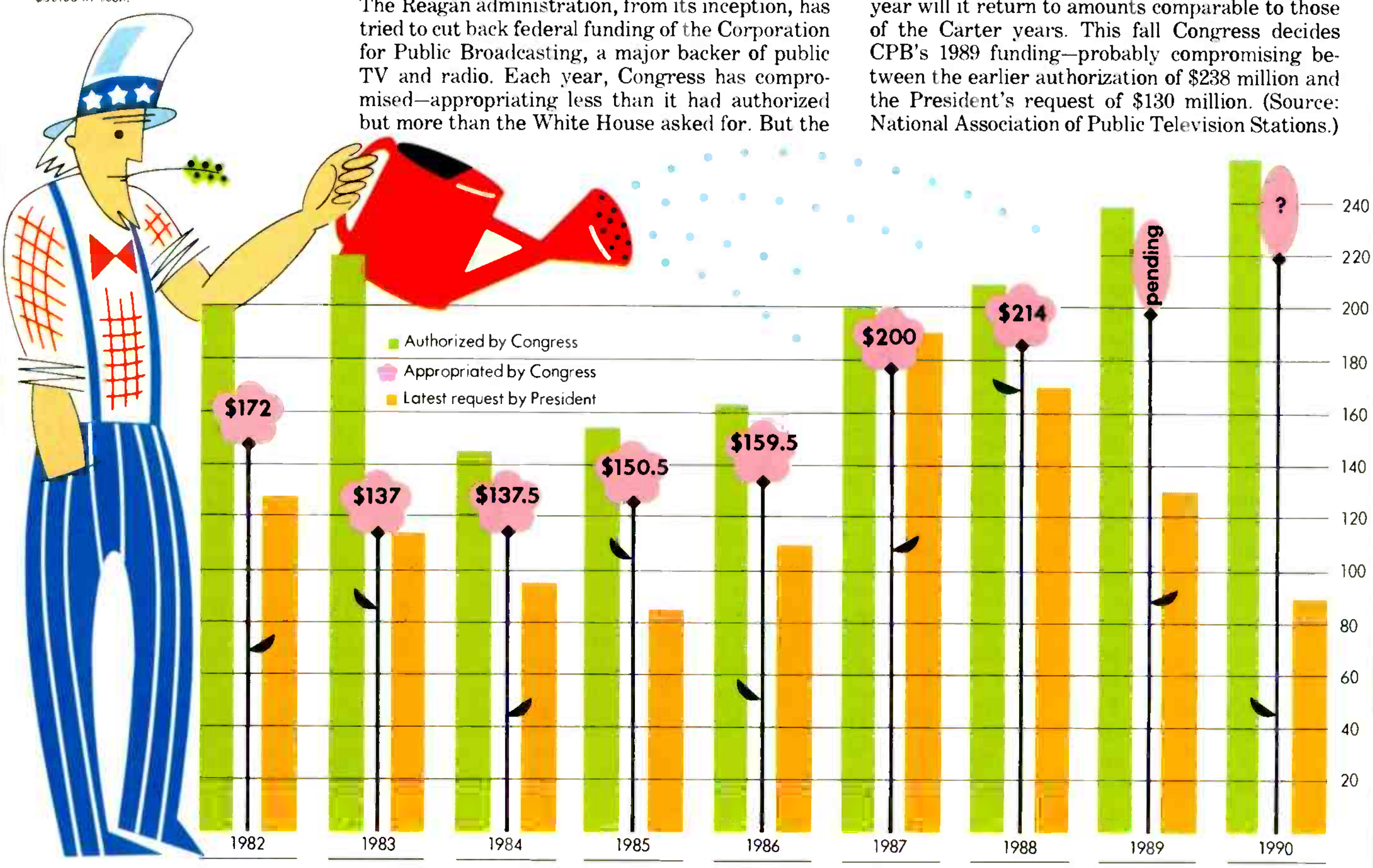
Times they are a-changin'. In the first half of the year, 21 percent of the commercials on the Big Three networks were 10, 15 or 20 seconds long. Advertisers, looking for relief from high costs (the networks charge an average of $98,500 for a 30-second spot in prime time), were trading down from 30-second ads, much as they did in the late 1960s when they deserted 60-second spots in a major way. The shorter ads were pioneered by stations in spot sales but are now making big headway on the networks. Trends are obscured slightly by the "piggyback" ads, which were really combinations of 15-, 30- and 45-second spots within a 60-second period. (Source: Television Bureau of Advertising, from Broadcast Advertisers Reports data.)

Percentage of Network Commercials



PUBLIC BROADCASTING'S GROWTH PICTURE

The Reagan administration, from its inception, has tried to cut back federal funding of the Corporation for Public Broadcasting, a major backer of public TV and radio. Each year, Congress has compromised—appropriating less than it had authorized but more than the White House asked for. But the President has had his effect, causing CPB funding to dip drastically during his early years. Only next year will it return to amounts comparable to those of the Carter years. This fall Congress decides CPB's 1989 funding—probably compromising between the earlier authorization of $238 million and the President's request of $130 million. (Source: National Association of Public Television Stations.)



Federal funding of Corporation for Public Broadcasting (in millions of dollars)

CHARTS BY RENEE KLEIN